



Nkomazi Municipality

Nkomazi Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Audited
By
2018 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity

Local municipality

Nature of business and principal activities

Providing municipal services

Mayoral committee

Executive Mayor

Mkhatshwa JM

Speaker

Mashele SJ

Chief whip

Ngcane EZ

Members of mayoral committee

Mabuza S (Budget and Treasury)

Hlophe NC (Planning and Development)

Mahlalela SS (Corporate Services)

Mkhatshwa TM (Community and Social Services)

Mziako PM (Infrastructure)

Councillors

Chambale IM

Dikiza GK

Khoza DM

Khoza MR

Dlamini-Zitha SP

Lubisi MT

Lubisi NF

Luphoko PC

Lusibane FN

Mabuza VE

Madlopha TA

Magagula BS

Magagula PP

Magagula FK

Magagula CT

Mahlalela MM

Malaza BB

Manzini NE

Maphanga NP

Masilela TE

Masuku SH

Mathonsi SS

Mavuso DD

Mazibuko DG

Mkhatshwa IP

Mkhatshwa SL

Mkhonto BE

Mkhonto DG

Mndawe SO

Mogibe GN

Moosa VC

Motha CM

Mtsetwa JM

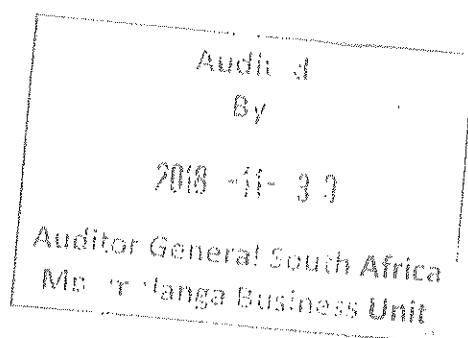
Mthombo TM

Ndlovu PF

Ngomane FN

Ngomane LP

Ngomane MP

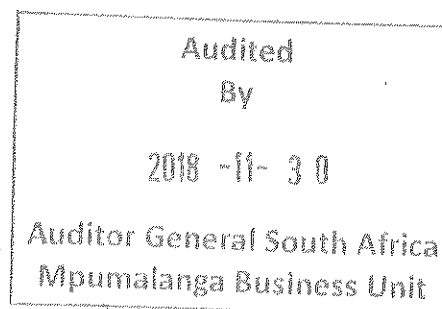


Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

| | |
|------------------------------------|---|
| | Ngomane GB |
| | Nkala KP |
| | Nkalanga ML |
| | Nkosi JM |
| | Nkosi TS |
| | Nyambi VT |
| | Preddy MMS |
| | Shabangu JC |
| | Shisane TC |
| | Shongwe BC |
| | Shongwe MD |
| | Shongwe NF |
| | Shungube ZI |
| | Sibiya GP |
| | Siboza JT |
| | Sindane MJ |
| | Thumbathi NP |
| | Tiwane BM |
| | Vuma LT |
| Grading of local authority | 4 |
| Accounting Officer | Ngwenya M D |
| Chief Finance Officer (CFO) | Thobela TS |
| Business address | 9 Park Street Civic centre Malalane 1320 |
| Postal address | Private Bag X101 Malelane 1320 |
| Bankers | Standard Bank Nelspruit |
| Auditors | The Auditor General |
| Demarcation code | MP324 |



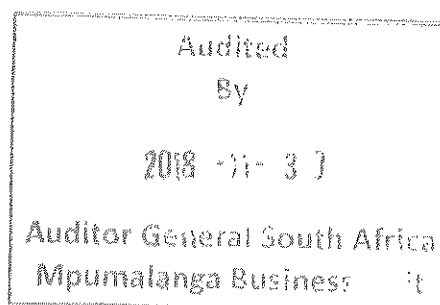
Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

| | Page |
|--|---------|
| Accounting Officer's Responsibilities and Approval | 5 |
| Accounting Officer's Report | 6 |
| Statement of Financial Position | 7 |
| Statement of Financial Performance | 8 |
| Statement of Changes in Net Assets | 9 |
| Cash Flow Statement | 10 |
| Statement of Comparison of Budget and Actual Amounts | 11 - 14 |
| Appropriation Statement | 15 - 16 |
| Accounting Policies | 17 - 40 |
| Notes to the Annual Financial Statements | 41 - 74 |
| Appendixes: | |
| Appendix A: Schedule of External loans | 75 |
| Appendix B: Analysis of Property, Plant and Equipment | 76-75 |
| Appendix D: Segmental Statement of Financial Performance | 78 |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure) | 79 |
| Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) | 80 |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 81 |
| Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification) | 82 |
| Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote) | 84 |
| Appendix G(3): Budgeted Financial Performance (revenue and expenditure) | 85 |
| Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding | 87 |
| Appendix G(5): Budgeted Cash Flows | 89 |

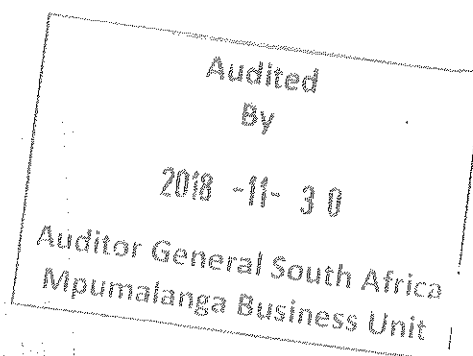


Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of Southern Africa |
| GRAP | Generally Recognised Accounting Practice |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MFMA | Municipal Finance Management Act (Act 56 of 2003) |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| CIGFARO | Chartered Institute of Government Finance, Audit & Risk Officers |
| mSCOA | Municipal Standard Chart of Accounts |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the MFMA, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

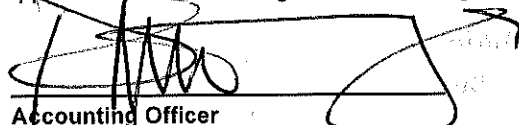
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

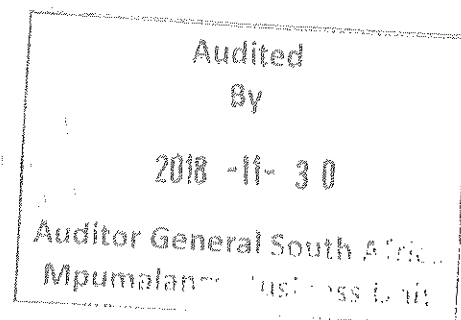
The accounting officer is responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached unaudited annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.


Accounting Officer
MD Ngwenya

Friday, 31 August 2018



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Surplus of the municipality was R 242 573 421 (2017: surplus R 261 391 099).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 2 032 952 142 and that the municipality's total assets exceed its liabilities by R 2 032 952 142.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year which requires adjustment or disclosure in the unaudited annual financial statements.

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the MFMA. The impact on the results of the municipality in adopting the above policies is reflected in note 1 to the financial statement.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

| | |
|-------------|-------------|
| Name | Nationality |
| Ngwenya M D | SA |

6. Auditors

The Auditor General will continue in office for the next financial period.

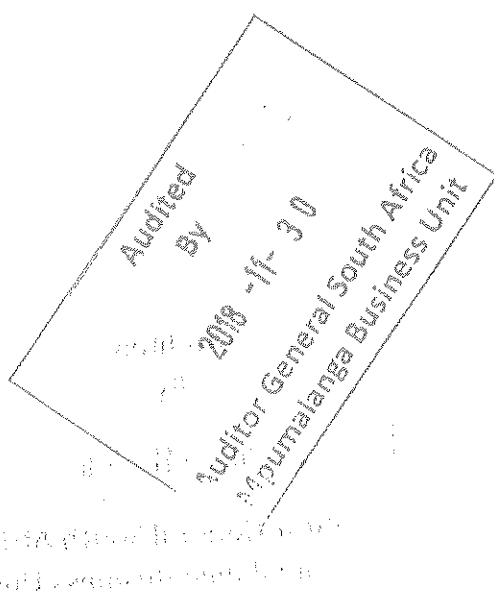
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| | Note(s) | 2018 R | 2017 Restated* R |
|--|---------|----------------------|------------------------|
| Assets | | | |
| Current Assets | | | |
| Operating lease asset | 7 | 21 428 | 22 542 |
| Inventories | 9 | 2 917 173 | 3 812 440 |
| Receivables from exchange transactions | 10 | 18 076 106 | 17 316 687 |
| Receivables from non-exchange transactions | 11 | 60 108 592 | 85 867 302 |
| VAT receivable | 12 | 47 148 084 | 41 318 977 |
| Consumer debtors | 13 | 26 966 728 | 13 860 127 |
| Cash and cash equivalents | 14 | 206 594 311 | 120 668 260 |
| | | 361 832 422 | 282 866 335 |
| Non-Current Assets | | | |
| Investment property | 3 | 28 953 981 | 44 362 146 |
| Property, plant and equipment | 4 | 1 898 328 621 | 1 743 658 814 |
| Intangible assets | 5 | 1 289 654 | 1 402 371 |
| Heritage assets | 6 | 1 621 944 | 1 621 944 |
| Operating lease asset | 7 | 36 264 | 57 691 |
| | | 1 930 230 464 | 1 791 102 966 |
| Total Assets | | 2 292 062 886 | 2 073 969 301 |
| Liabilities | | | |
| Current Liabilities | | | |
| Operating lease liability | 7 | 42 080 | 134 743 |
| Finance lease obligation | 15 | 2 134 881 | 2 129 557 |
| Unspent conditional grants and receipts | 16 | 29 229 510 | 14 204 188 |
| Other financial liabilities | 17 | - | 704 954 |
| Provisions | 18 | 29 826 589 | 33 044 980 |
| Payables from exchange transactions | 19 | 135 414 040 | 173 835 174 |
| | | 196 647 100 | 224 053 596 |
| Non-Current Liabilities | | | |
| Operating lease liability | 7 | 71 566 | 60 997 |
| Employee benefit obligation | 8 | 35 942 000 | 31 791 000 |
| Finance lease obligation | 15 | 1 807 430 | 3 942 311 |
| Other financial liabilities | 17 | - | 836 001 |
| Provisions | 18 | 24 642 648 | 22 906 672 |
| | | 62 463 644 | 59 536 981 |
| Total Liabilities | | 259 110 744 | 283 590 577 |
| Net Assets | | 2 032 952 142 | 1 790 378 724 |
| Accumulated surplus | | 2 032 952 142 | 1 790 378 724 |



* See Note 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| | Note(s) | 2018 R | 2017 Restated* R |
|---|---------|----------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 20 | 128 845 439 | 121 316 173 |
| Rental of facilities and equipment | 21 | 3 040 464 | 3 646 374 |
| Interest received (trading) | 22 | 11 391 004 | 11 428 648 |
| Agency services | 23 | 12 587 776 | 13 514 315 |
| Licences and permits | 24 | 36 103 | 13 794 |
| Recoveries | 26 | 498 604 | 732 393 |
| Other income | 26 | 5 569 622 | 8 680 562 |
| Interest received - external | 27 | 19 851 644 | 10 855 075 |
| Actuarial gains | | - | 3 191 000 |
| Total revenue from exchange transactions | | 181 820 656 | 173 378 334 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 28 | 105 503 008 | 105 560 428 |
| Transfer revenue | | | |
| Fines, Penalties and Forfeits | 25 | 5 411 836 | 23 328 917 |
| Government grants & subsidies | 29 | 737 311 077 | 828 018 698 |
| Public contributions and donations | 30 | 69 475 264 | 1 555 763 |
| Total revenue from non-exchange transactions | | 917 701 185 | 958 463 806 |
| Total revenue | 22 | 1 099 521 841 | 1 131 842 140 |
| Expenditure | | | |
| Employee related costs | 31 | (366 204 189) | (323 304 101) |
| Remuneration of councillors | 32 | (27 512 748) | (22 964 859) |
| Depreciation and amortisation | 33 | (61 407 560) | (55 906 343) |
| Impairment loss | 34 | (32 162 218) | (23 924 311) |
| Lease rentals on operating lease | 35 | (7 990 731) | (7 126 789) |
| Transfers and Subsidies | 36 | (11 527 520) | (17 650 300) |
| Finance costs | 37 | (2 049 834) | (7 005 377) |
| Debt Impairment | 38 | (26 079 111) | (73 828 991) |
| Bulk purchases | 39 | (77 968 710) | (79 294 753) |
| Contracted services | 40 | (130 859 976) | (171 092 344) |
| Loss on disposal of assets | 41 | (893 191) | (1 251 703) |
| Actuarial losses | | (232 000) | - |
| Operational expenditure | 42 | (112 060 632) | (87 101 170) |
| Total expenditure | | (856 948 420) | (870 451 041) |
| Surplus for the year | | 242 573 421 | 261 391 099 |

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* See Note 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|---|-----------------------------|--------------------------|
| Balance at 01 July 2016 | 1 534 471 874 | 1 534 471 874 |
| Changes in net assets | | |
| Surplus for the year | 261 391 099 | 261 391 099 |
| Total changes | 261 391 099 | 261 391 099 |
| Opening balance as previously reported | 1 795 862 970 | 1 795 862 970 |
| Adjustments | | |
| Correction of errors | (5 484 249) | (5 484 249) |
| Restated* Balance at 01 July 2017 as restated* | 1 790 378 721 | 1 790 378 721 |
| Changes in net assets | | |
| Surplus for the year | 242 573 421 | 242 573 421 |
| Total changes | 242 573 421 | 242 573 421 |
| Balance at 30 June 2018 | 2 032 952 142 | 2 032 952 142 |
| Note(s) | 49 | |

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By
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Mpumalanga Business Unit

* See Note 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| | Note(s) | 2018 R | 2017 Restated* R |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 351 672 559 | 313 342 650 |
| Grants | | 737 311 077 | 828 018 699 |
| Interest income | | 19 851 644 | 10 855 075 |
| | | <u>1 108 835 280</u> | <u>1 152 216 424</u> |
| Payments | | | |
| Employee costs | | (393 716 937) | (346 268 960) |
| Suppliers | | (453 705 578) | (493 846 337) |
| Finance costs | | (2 049 834) | (7 005 377) |
| | | <u>(849 472 349)</u> | <u>(847 120 674)</u> |
| Net cash flows from operating activities | 44 | <u>259 362 931</u> | <u>305 095 750</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (169 540 031) | (253 540 836) |
| Purchase of other intangible assets | 5 | (226 337) | (1 220 512) |
| Net cash flows from investing activities | | <u>(169 766 368)</u> | <u>(254 761 348)</u> |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (1 540 955) | (606 062) |
| Finance lease payments | | (2 129 557) | 5 860 310 |
| Net cash flows from financing activities | | <u>(3 670 512)</u> | <u>5 254 248</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>85 926 051</u> | <u>55 588 650</u> |
| Cash and cash equivalents at the beginning of the year | | 120 668 260 | 65 079 610 |
| Cash and cash equivalents at the end of the year | 14 | <u>206 594 311</u> | <u>120 668 260</u> |

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Mpumalanga Business Unit

* See Note 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
| | R | R | R | R | R | |

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|---------|
| Service charges | 109 350 154 | 845 056 | 110 195 210 | 128 845 439 | 18 650 229 | Note 57 |
| Rental of facilities and equipment | 2 555 828 | 416 558 | 2 972 386 | 3 040 464 | 68 078 | Note 57 |
| Interest received (trading) | 1 279 626 | 3 169 316 | 4 448 942 | 11 391 004 | 6 942 062 | Note 57 |
| Agency services | 14 919 444 | (4 374 358) | 10 545 086 | 12 587 776 | 2 042 690 | Note 57 |
| Licences and permits | 25 752 | (7 070) | 18 682 | 36 103 | 17 421 | Note 57 |
| Recoveries | 308 105 | - | 308 105 | 498 604 | 190 499 | Note 57 |
| Other income | 9 604 466 | (2 408 564) | 7 195 902 | 5 569 622 | (1 626 280) | Note 57 |
| Interest received - external | 4 616 196 | 302 201 | 4 918 397 | 19 851 644 | 14 933 247 | Note 57 |
| Total revenue from exchange transactions | 142 659 571 | (2 056 861) | 140 602 710 | 181 820 656 | 41 217 946 | |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | | |
|----------------|-------------|--------------|-------------|-------------|-------------|--|
| Property rates | 132 765 300 | (24 864 150) | 107 901 150 | 105 503 008 | (2 398 142) | |
|----------------|-------------|--------------|-------------|-------------|-------------|--|

Transfer revenue

| | | | | | | |
|---|--------------------|------------------|--------------------|--------------------|---------------------|---------|
| Government grants & subsidies | 780 375 310 | 14 318 840 | 794 694 150 | 737 311 077 | (57 383 073) | Note 57 |
| Public contributions and donations | - | - | - | 69 475 264 | 69 475 264 | Note 57 |
| Fines, Penalties and Forfeits | 6 368 084 | 19 613 050 | 25 981 134 | 5 411 836 | (20 569 298) | Note 57 |
| Total revenue from non-exchange transactions | 919 508 694 | 9 067 740 | 928 576 434 | 917 701 185 | (10 875 249) | |

Total revenue

| | | | | | |
|----------------------|------------------|----------------------|----------------------|-------------------|--|
| 1 062 168 265 | 7 010 879 | 1 069 179 144 | 1 099 521 841 | 30 342 697 | |
|----------------------|------------------|----------------------|----------------------|-------------------|--|

Expenditure

| | | | | | | |
|--|----------------------|------------------|----------------------|----------------------|---------------------|---------|
| Personnel | (317 538 364) | 3 164 470 | (314 373 894) | (366 204 189) | (51 830 295) | Note 57 |
| Remuneration of councillors | (22 175 954) | (50 000) | (22 225 954) | (27 512 748) | (5 286 794) | Note 57 |
| Depreciation and amortisation | (66 412 262) | - | (66 412 262) | (61 407 560) | 5 004 702 | |
| Impairment loss/ Reversal of impairments | - | - | - | (32 162 218) | (32 162 218) | |
| Finance costs | (683 534) | (200 000) | (883 534) | (2 049 834) | (1 166 300) | Note 57 |
| Lease rentals on operating lease | (8 559 914) | (877 757) | (9 437 671) | (7 990 731) | 1 446 940 | Note 57 |
| Debt Impairment | (18 535 830) | (18 535 830) | (37 071 660) | (26 079 111) | 10 992 549 | Note 57 |
| Bulk purchases | (63 576 264) | 800 000 | (62 776 264) | (77 968 710) | (15 192 446) | Note 57 |
| Contracted Services | (142 046 138) | (8 017 202) | (150 063 340) | (130 859 976) | 19 203 364 | Note 57 |
| Transfers and Subsidies | (1 200 048) | (5 380 001) | (6 580 049) | (11 527 520) | (4 947 471) | Note 57 |
| General Expenses | (182 465 358) | 37 128 842 | (145 336 516) | (112 060 632) | 33 275 884 | Note 57 |
| Total expenditure | (823 193 666) | 8 032 522 | (815 161 144) | (855 823 229) | (40 662 085) | |

Operating surplus

| | | | | | | |
|--|---|---|---|-------------|-------------|---------|
| Loss on disposal of assets and liabilities | - | - | - | (893 191) | (893 191) | Note 57 |
| Actuarial gains/losses | - | - | - | (232 000) | (232 000) | |
| | - | - | - | (1 125 191) | (1 125 191) | |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
| | R | R | R | R | R | |
| Surplus before taxation | 238 974 599 | 15 043 401 | 254 018 000 | 242 573 421 | (11 444 579) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 238 974 599 | 15 043 401 | 254 018 000 | 242 573 421 | (11 444 579) | |

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
| | R | R | R | R | R | |

Statement of Financial Position

Assets

Current Assets

| | | | | | | |
|--|--------------------|----------------------|--------------------|--------------------|-------------------|---------|
| Inventories | 3 366 727 | 472 902 | 3 839 629 | 2 917 173 | (922 456) | Note 57 |
| Operating lease asset | 39 206 | (15 289) | 23 917 | 21 428 | (2 489) | Note 57 |
| Receivables from exchange transactions | 22 711 058 | 12 433 839 | 35 144 897 | 18 076 106 | (17 068 791) | Note 57 |
| VAT receivable | 76 966 057 | (33 739 395) | 43 226 662 | 47 148 084 | 3 921 422 | |
| Consumer debtors | 196 057 808 | (146 788 047) | 49 269 761 | 87 107 442 | 37 837 681 | Note 57 |
| Cash and cash equivalents | 107 624 053 | 66 207 403 | 173 831 456 | 206 594 311 | 32 762 855 | |
| | 406 764 909 | (101 428 587) | 305 336 322 | 361 864 544 | 56 528 222 | |

Non-Current Assets

| | | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------|
| Investment property | 44 495 442 | (87 026) | 44 408 416 | 28 953 981 | (15 454 435) | |
| Property, plant and equipment | 2 070 085 438 | (98 757 231) | 1 971 328 207 | 1 898 328 621 | (72 999 586) | |
| Intangible assets | 1 060 481 | 480 673 | 1 541 154 | 1 289 654 | (251 500) | Note 57 |
| Heritage assets | 1 703 846 | 1 560 734 | 3 264 580 | 1 621 944 | (1 642 636) | Note 57 |
| Operating lease asset | - | 61 210 | 61 210 | 36 264 | (24 946) | Note 57 |
| | 2 117 345 207 | (96 741 640) | 2 020 603 567 | 1 930 230 464 | (90 373 103) | |
| Total Assets | 2 524 110 116 | (198 170 227) | 2 325 939 889 | 2 292 095 008 | (33 844 881) | |

Liabilities

Current Liabilities

| | | | | | | |
|---|--------------------|---------------------|--------------------|--------------------|---------------------|---------|
| Other financial liabilities | - | 704 954 | 704 954 | - | (704 954) | Note 57 |
| Finance lease obligation | - | - | - | 2 134 881 | 2 134 881 | Note 57 |
| Operating lease liability | - | - | - | 42 080 | 42 080 | Note 57 |
| Payables from exchange transactions | 228 444 376 | (16 538 755) | 211 905 621 | 135 414 022 | (76 491 599) | Note 57 |
| Consumer deposits | 3 556 467 | - | 3 556 467 | - | (3 556 467) | Note 57 |
| Unspent conditional grants and receipts | - | - | - | 29 229 510 | 29 229 510 | Note 57 |
| Provisions | 46 129 474 | (11 068 750) | 35 060 724 | 29 826 589 | (5 234 135) | Note 57 |
| | 278 130 317 | (26 902 551) | 251 227 766 | 196 647 082 | (54 580 684) | |

Non-Current Liabilities

| | | | | | | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------|
| Other financial liabilities | 618 806 | - | 618 806 | - | (618 806) | Note 57 |
| Finance lease obligation | - | - | - | 1 807 430 | 1 807 430 | Note 57 |
| Operating lease liability | - | - | - | 71 566 | 71 566 | Note 57 |
| Employee benefit obligation | - | - | - | 35 942 000 | 35 942 000 | Note 57 |
| Provisions | 83 951 939 | (59 739 586) | 24 212 353 | 24 642 648 | 430 295 | Note 57 |
| | 84 570 745 | (59 739 586) | 24 831 159 | 62 463 644 | 37 632 485 | |
| Total Liabilities | 362 701 062 | (86 642 137) | 276 058 925 | 259 110 726 | (16 948 199) | |
| Net Assets | 2 161 409 054 | (111 528 090) | 2 049 880 964 | 2 032 984 282 | (16 896 682) | |

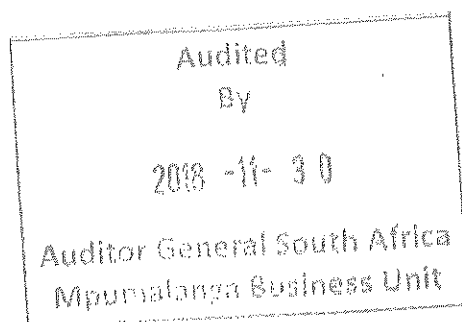
Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------|----------------------|--|---|-----------|
| | R | R | R | R | R | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 2 161 409 054 | (111 528 090) | 2 049 880 964 | 2 032 984 282 | (16 896 682) | |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

| Auditor General South Africa Municipality of Manga-Bushe District | | | | | | | | | | | | | | | | | | |
|--|----------------------|---------------------|---|----------|--------------------------|----------|--|----------|---|----------------------|--------------------------|----------|---------------------|--------------|-------------------------------------|---|--|--|
| | Original budget | | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | | Final adjustments budget | | Shifting of funds (i.t.o. s31 of the MFMA) | | Virement (i.t.o. Council approved policy) | | Unauthorised expenditure | | Variance | | Actual outcome as % of final budget | | Actual outcome as % of original budget | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | |
| 2018 | | | | | | | | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | | | | | | | | |
| Property rates | 132 765 300 | (24 864 150) | 107 901 150 | - | - | - | - | - | 107 901 150 | 105 503 008 | - | - | (2 398 142) | 98 % | 79 % | | | |
| Service charges | 109 350 154 | 8 267 236 | 117 617 390 | - | - | - | - | - | 117 617 390 | 128 845 439 | - | - | 11 228 049 | 110 % | 118 % | | | |
| Investment revenue | 4 616 196 | 302 201 | 4 918 397 | - | - | - | - | - | 4 918 397 | 19 851 644 | - | - | 14 933 247 | 404 % | 430 % | | | |
| Transfers recognised - operational | 549 404 876 | (39 000 000) | 510 404 876 | - | - | - | - | - | 510 404 876 | 500 751 774 | - | - | (9 653 102) | 98 % | 91 % | | | |
| Other own revenue | 35 061 305 | 8 986 752 | 44 048 057 | - | - | - | - | - | 44 048 057 | 38 535 409 | - | - | (5 512 648) | 87 % | 110 % | | | |
| Total revenue (excluding capital transfers and contributions) | 831 197 831 | (46 307 961) | 784 889 870 | - | - | - | - | - | 784 889 870 | 793 487 274 | - | - | 8 597 404 | 101 % | 95 % | | | |
| Employee costs | (317 538 364) | 3 164 470 | (314 373 894) | - | - | - | - | - | (314 373 894) | (366 204 189) | - | - | (51 830 295) | 116 % | 115 % | | | |
| Remuneration of councillors | (22 175 954) | (50 000) | (22 225 954) | - | - | - | - | - | (22 225 954) | (27 512 748) | - | - | (5 286 794) | 124 % | 124 % | | | |
| Debt impairment | (18 535 830) | (18 535 830) | (37 071 660) | - | - | - | - | - | (37 071 660) | (26 079 111) | - | - | 10 992 549 | 70 % | 141 % | | | |
| Depreciation and asset impairment | (66 412 262) | - | (66 412 262) | - | - | - | - | - | (66 412 262) | (93 569 778) | - | - | (27 157 516) | 141 % | 141 % | | | |
| Finance charges | (683 534) | (200 000) | (883 534) | - | - | - | - | - | (883 534) | (2 049 834) | - | - | (1 166 300) | 232 % | 300 % | | | |
| Materials and bulk purchases | (104 333 898) | 5 578 639 | (98 755 259) | - | - | - | - | - | (98 755 259) | (77 968 710) | - | - | 20 786 549 | 79 % | 75 % | | | |
| Transfers and grants | (1 200 048) | (5 380 001) | (6 580 049) | - | - | - | - | - | (6 580 049) | (11 527 520) | - | - | (4 947 471) | 175 % | 961 % | | | |
| Other expenditure | (292 313 776) | 23 455 244 | (268 858 532) | - | - | - | - | - | (268 858 532) | (252 036 530) | - | - | 16 822 002 | 94 % | 86 % | | | |
| Total expenditure | (823 193 666) | 8 032 522 | (815 161 144) | - | - | - | - | - | (815 161 144) | (856 948 420) | - | - | (41 787 276) | 105 % | 104 % | | | |
| Surplus/(Deficit) | 8 004 165 | (38 275 439) | (30 271 274) | - | - | - | - | - | (30 271 274) | (63 461 146) | - | - | (33 189 872) | 210 % | (793)% | | | |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|----------------------|-------------------------------------|--|
| | R | R | R | R | R | R | R | R | R | R | R |
| Transfers recognised - capital | 230 970 434 | 53 318 840 | 284 289 274 | - | - | 284 289 274 | 236 559 304 | | (47 729 970) | 83 % | 102 % |
| Contributions recognised - capital and contributed assets | - | - | - | - | - | - | 69 475 264 | | 69 475 264 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | 238 974 599 | 15 043 401 | 254 018 000 | - | - | 254 018 000 | 242 573 422 | | (11 444 578) | 95 % | 102 % |
| Surplus/(Deficit) for the year | 238 974 599 | 15 043 401 | 254 018 000 | - | - | 254 018 000 | 242 573 422 | | (11 444 578) | 95 % | 102 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 259 173 884 | 22 350 840 | 281 524 724 | - | - | 281 524 724 | 169 766 368 | | (111 758 356) | 60 % | 66 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 230 970 434 | 13 227 000 | 244 197 434 | - | - | 244 197 434 | 149 567 855 | | (94 629 579) | 61 % | 65 % |
| Internally generated funds | 28 203 450 | 9 123 840 | 37 327 290 | - | - | 37 327 290 | 19 856 608 | | (17 470 682) | 53 % | 70 % |
| Total sources of capital funds | 259 173 884 | 22 350 840 | 281 524 724 | - | - | 281 524 724 | 169 424 463 | | (112 100 261) | 60 % | 65 % |

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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2018 -11- 30

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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

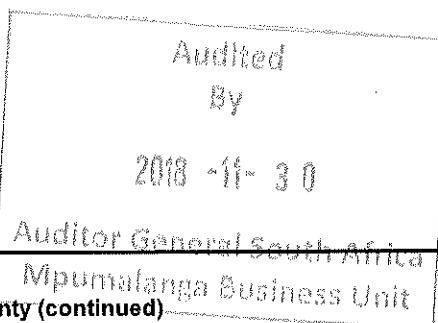
Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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1.3 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

| Item | Useful life |
|----------------------|--------------|
| Property - land | indefinite |
| Property - buildings | 10 -30 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

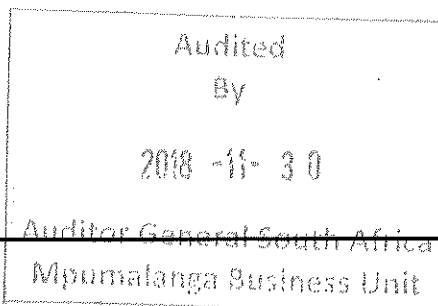
Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.4 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|-------------------------|---------------------|---------------------|
| Land | N/A | Indefinite |
| Buildings | Straight line | 5 - 30 years |
| Landfill site land | Straight line | 10 - 30 years |
| Plant and machinery | Straight line | 2 - 15 years |
| Furniture and fixtures | Straight line | 3 - 10 years |
| Motor vehicles | Straight line | 4 - 15 years |
| IT equipment | Straight line | 3 - 10 years |
| Infrastructure | Straight line | . |
| - Roads and storm water | Straight line | 3 - 100 years |
| - Electricity | Straight line | 3 - 80 years |
| - Water | Straight line | 10 - 100 years |
| - Sewerage | Straight line | 10 - 60 years |
| - Solid waste disposal | Straight line | 5 - 55 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited
By

2018 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

1.4 Property, plant and equipment (continued)

Game

The municipality recognises game asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

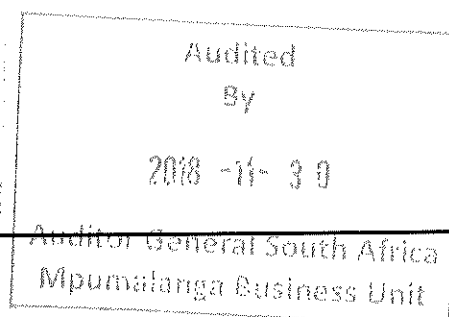
Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 2 - 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

1.6 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

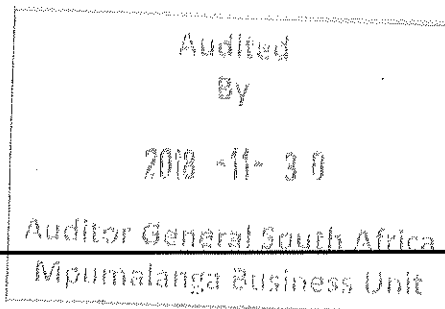
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|--|
| Other financial liabilities | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

Initial recognition

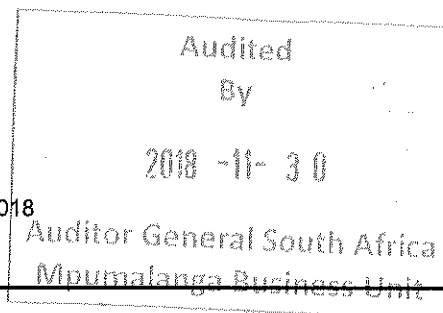
The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

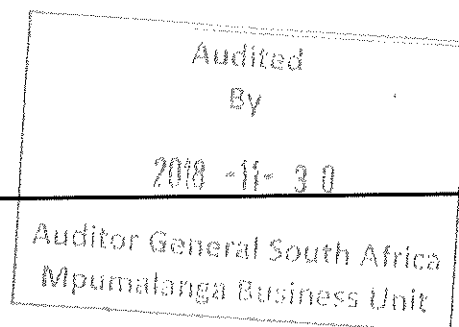
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

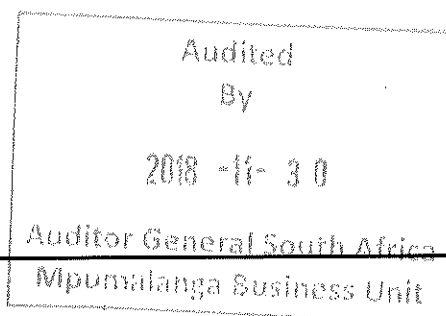
Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.9 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The first in, first out (FIFO) cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

Auditor General South Africa

Mpumalanga Business Unit

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

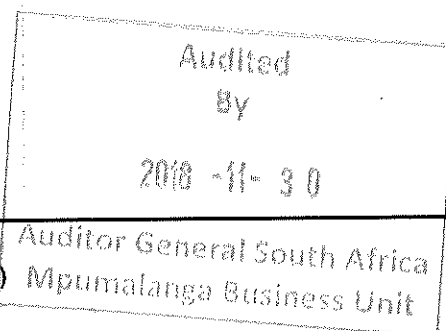
When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

Auditor General South Africa

Mpumalanga Business Unit

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits (continued)

- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

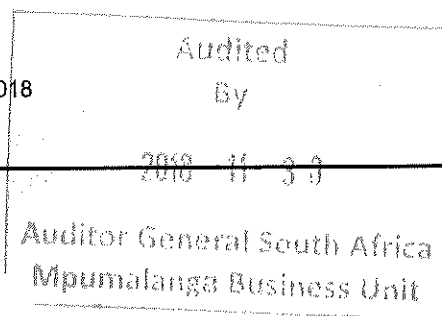
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audited
By

2018 -11- 3 0

Accounting Policies

Auditor General South Africa
Mpumalanga Business Unit

1.13 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited

By

2018 -11- 30

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1.14 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Audited
By

2018 -11- 30

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Mpumalanga Business Unit

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

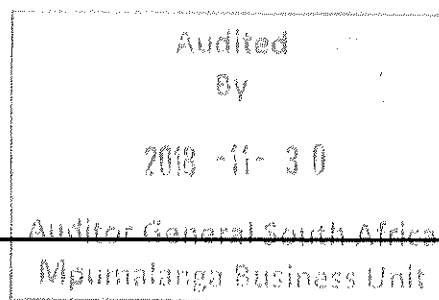
The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.16 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

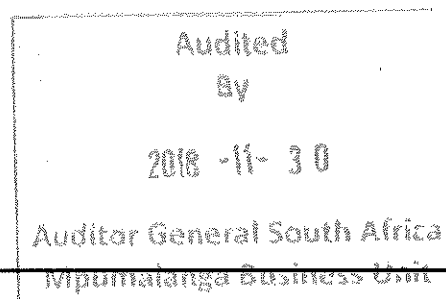
Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies



1.23 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

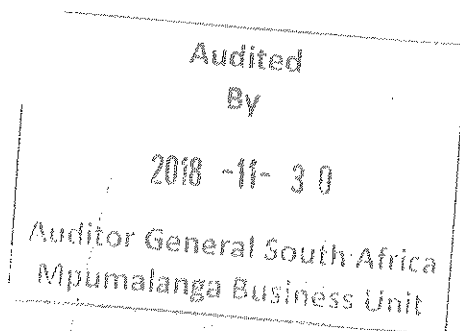
Accounting Policies

1.26 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

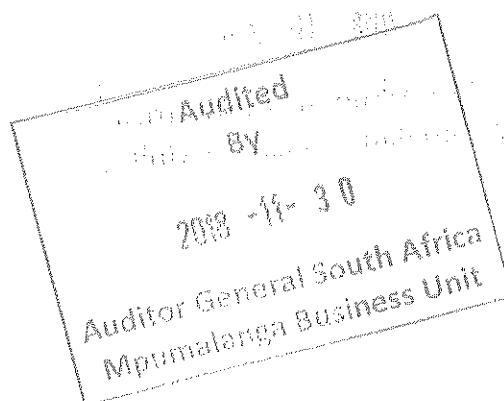
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| • GRAP 20: Related parties | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 32: Service Concession Arrangements: Grantor | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 108: Statutory Receivables | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 109: Accounting by Principals and Agents | 01 April 2019 | Unlikely there will be a material impact |
| • IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2019 | Unlikely there will be a material impact |

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| • GRAP 18 (as amended 2016): Segment Reporting | 01 April 2019 | Unlikely there will be a material impact |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

3. Investment property

| | 2018 | | | 2017 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 46 445 555 | (17 491 574) | 28 953 981 | 46 445 555 | (2 083 409) | 44 362 146 |

Reconciliation of investment property - 2018

| | Opening balance | Impairments | Depreciation | Total |
|---------------------|--------------------|--------------|--------------|------------|
| Investment property | 44 362 146 | (15 280 166) | (127 999) | 28 953 981 |

Reconciliation of investment property - 2017

| | Opening balance | Depreciation | Total |
|---------------------|--------------------|--------------|------------|
| Investment property | 44 495 442 | (133 296) | 44 362 146 |

Pledged as security

No investment property assets were pledged as security.

Impairment of assets

Investment property impaired
Investment land

15 280 166 -

Other disclosure

There were no operating costs incurred related to the investment property.

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By
2018 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

| | 2018 | | | 2017 | | |
|--|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 135 915 617 | (16 882 052) | 119 033 565 | 135 915 617 | - | 135 915 617 |
| Buildings | 209 616 519 | (52 496 803) | 157 119 716 | 130 558 146 | (46 555 888) | 84 002 258 |
| Plant and machinery | 31 325 269 | (19 697 137) | 11 628 132 | 30 132 192 | (17 382 374) | 12 749 818 |
| Furniture and fixtures | 9 423 630 | (7 232 713) | 2 190 917 | 9 433 592 | (6 861 064) | 2 572 528 |
| Motor vehicles | 41 820 024 | (25 836 638) | 15 983 386 | 41 202 599 | (23 817 167) | 17 385 432 |
| IT equipment | 15 263 776 | (7 841 868) | 7 421 908 | 14 104 371 | (5 168 605) | 8 935 766 |
| Infrastructure - Electricity | 107 769 415 | (21 712 319) | 86 057 096 | 72 693 604 | (18 848 443) | 53 845 161 |
| Infrastructure - Roads and storm water | 399 292 883 | (92 028 745) | 307 264 138 | 291 833 574 | (80 836 309) | 210 997 265 |
| Game | 3 712 208 | - | 3 712 208 | 3 831 004 | - | 3 831 004 |
| Infrastructure - Sewerage | 10 233 641 | (1 304 035) | 8 929 606 | 8 994 287 | (1 138 088) | 7 856 199 |
| Infrastructure - Solid waste | 31 630 413 | (22 262 784) | 9 367 629 | 31 465 566 | (22 004 518) | 9 461 048 |
| Infrastructure - Water | 998 738 470 | (239 202 606) | 759 535 864 | 928 418 549 | (206 842 042) | 721 576 507 |
| Capital work in progress | 410 084 456 | - | 410 084 456 | 474 530 211 | - | 474 530 211 |
| Total | 2 404 826 321 | (506 497 700) | 1 898 328 621 | 2 173 113 312 | (429 454 498) | 1 743 658 814 |

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2018 -11-30

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Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

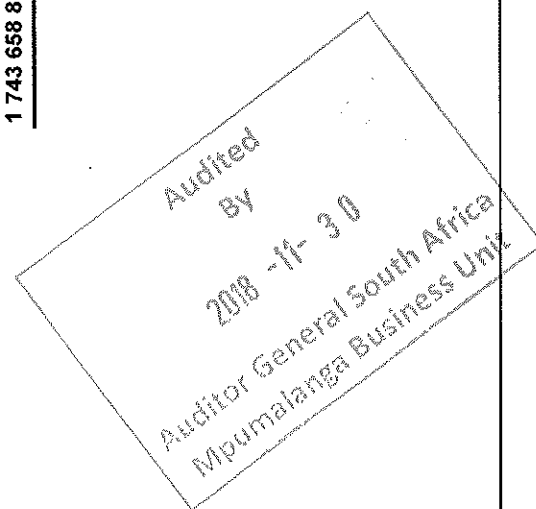
Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Transfers received | Transfers to WIP | Depreciation | Impairment loss | Total |
|--|----------------------|--------------------|--------------------|--------------------|------------------|---------------------|---------------------|----------------------|
| Land | 135 915 617 | - | - | - | - | - | (16 882 052) | 119 033 565 |
| Buildings | 84 002 258 | 24 517 049 | - | 63 492 026 | (8 950 703) | (5 940 914) | - | 157 119 716 |
| Plant and machinery | 12 749 818 | 1 590 184 | (101 768) | - | - | (2 610 102) | - | 11 628 132 |
| Furniture and fixtures | 2 572 528 | 181 169 | (15 212) | - | - | (547 568) | - | 2 190 917 |
| Motor vehicles | 17 385 432 | 617 424 | - | - | - | (2 019 470) | - | 15 983 386 |
| IT equipment | 8 935 766 | 1 366 397 | (21 108) | - | - | (2 859 147) | - | 7 421 908 |
| Infrastructure - Electricity | 53 845 161 | 5 358 085 | (5 185 360) | 38 815 061 | (3 911 975) | (2 863 876) | - | 86 057 096 |
| Infrastructure - Roads and storm water | 210 997 265 | 24 241 872 | - | 103 182 380 | (19 964 942) | (11 192 437) | - | 307 264 138 |
| Game | 3 831 004 | 341 905 | (460 701) | - | - | - | - | 3 712 208 |
| Infrastructure - Sewerage | 7 856 199 | - | - | 1 239 354 | - | (165 947) | - | 8 929 606 |
| Infrastructure - Solid waste | 9 461 048 | 164 847 | - | - | - | (258 266) | - | 9 367 629 |
| Infrastructure - Water | 721 576 507 | 111 161 099 | (633 634) | 55 200 284 | (95 282 941) | (32 485 451) | - | 759 535 864 |
| Capital work in progress | 474 530 211 | - | - | (192 556 316) | 128 110 561 | - | - | 410 084 456 |
| | 1 743 658 814 | 169 540 031 | (6 417 783) | 69 372 789 | - | (60 943 178) | (16 882 052) | 1 898 328 621 |



Nkomazi Local Municipality Annual Financial Statements for the year ended 30 June 2018 **Notes to the Annual Financial Statements**

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Disposals | Transfers received | Opening balance adjustment | Depreciation | Impairment loss | Total |
|--|----------------------|--------------------|---------------------|--------------------|----------------------------|---------------------|---------------------|----------------------|
| Land | 142 211 238 | - | (6 295 621) | - | - | - | - | 135 915 617 |
| Buildings | 89 828 766 | 1 907 350 | - | - | - | (4 561 029) | (3 172 829) | 84 002 258 |
| Plant and machinery | 12 587 798 | 3 014 409 | (51 598) | - | - | (2 800 791) | - | 12 749 818 |
| Furniture and fixtures | 1 773 942 | 1 328 627 | - | - | - | (530 041) | - | 2 572 528 |
| Motor vehicles | 17 459 580 | 2 843 522 | (626 991) | - | - | (2 290 679) | - | 17 385 432 |
| IT equipment | 1 634 187 | 8 700 301 | - | - | - | (1 398 722) | - | 8 935 766 |
| Infrastructure - Electricity | 51 195 215 | 7 805 758 | (16 580 734) | 13 545 574 | - | (2 120 652) | - | 53 845 161 |
| Infrastructure - Roads and storm water | 163 328 845 | 9 416 844 | - | 48 374 082 | - | (9 900 631) | (221 875) | 210 997 265 |
| Game | 4 297 366 | 580 774 | (1 047 136) | - | - | - | - | 3 831 004 |
| Infrastructure - Sewerage | 7 441 477 | 573 238 | - | - | - | (157 593) | (923) | 7 856 199 |
| Infrastructure - Solid waste | 28 912 497 | 134 980 | - | - | - | (618 222) | (18 968 207) | 9 461 048 |
| Infrastructure - Water | 690 079 071 | 30 936 742 | - | 33 995 592 | (688 358) | (31 186 063) | (1 560 477) | 721 576 507 |
| Capital work in progress | 385 275 899 | 186 298 291 | - | (95 915 248) | (1 128 731) | - | - | 474 530 211 |
| | 1 596 025 881 | 253 540 836 | (24 602 080) | - | (1 817 089) | (55 564 423) | (23 924 311) | 1 743 658 814 |

Pledged as security

No assets were pledged as security.

Impairment of assets

Property, plant and equipment impaired

| | | |
|-----------------------------------|-------------------|-------------------|
| Buildings | - | 3 172 829 |
| Infrastructure - Roads and paving | - | 221 875 |
| Infrastructure - Water | - | 1 560 477 |
| Infrastructure - Sewerage | - | 923 |
| Infrastructure - Solid waste | - | 18 968 207 |
| Land | 16 882 052 | - |
| | 16 882 052 | 23 924 311 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

4. Property, plant and equipment (continued)

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2018

| | Included within Infrastructure | Included within buildings | Total |
|--------------------------------|-----------------------------------|------------------------------|--------------------|
| Opening balance | 416 431 787 | 58 098 424 | 474 530 211 |
| Additions/capital expenditure | 119 159 858 | 8 950 703 | 128 110 561 |
| Transferred to completed items | (143 957 592) | (48 598 724) | (192 556 316) |
| | 391 634 053 | 18 450 403 | 410 084 456 |

Reconciliation of Work-in-Progress 2017

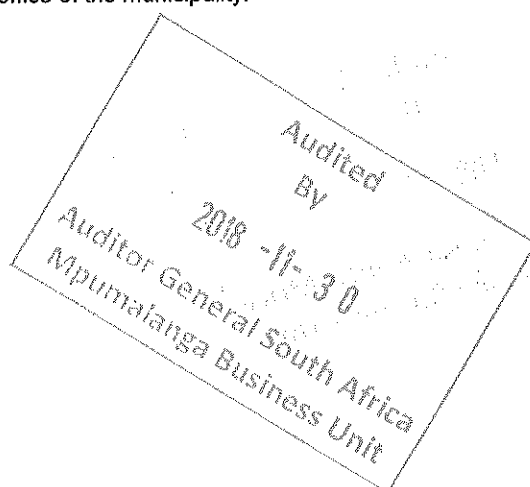
| | Included within Infrastructure | Included within buildings | Total |
|--------------------------------|-----------------------------------|------------------------------|--------------------|
| Opening balance | 352 289 967 | 33 128 485 | 385 418 452 |
| Additions/capital expenditure | 160 057 067 | 24 969 939 | 185 027 006 |
| Transferred to completed items | (95 915 247) | - | (95 915 247) |
| | 416 431 787 | 58 098 424 | 474 530 211 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|---------------------|-------------------|-------------------|
| Contracted services | 26 023 801 | 23 414 354 |
| Inventory | 1 159 784 | 5 582 412 |
| General expenses | 647 405 | 756 216 |
| | 27 830 990 | 29 752 982 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

5. Intangible assets

| | 2018 | | | 2017 | | |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 2 252 498 | (962 844) | 1 289 654 | 2 041 626 | (639 255) | 1 402 371 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | Disposals | Amortisation | Total |
|--------------------------|--------------------|-----------|-----------|--------------|-----------|
| Computer software, other | 1 402 371 | 226 337 | (2 673) | (336 381) | 1 289 654 |

Reconciliation of intangible assets - 2017

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 390 481 | 1 220 512 | (208 622) | 1 402 371 |

6. Heritage assets

| | 2018 | | | 2017 | | |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical monuments | 1 621 944 | - | 1 621 944 | 1 621 944 | - | 1 621 944 |

Reconciliation of heritage assets 2018

| | Opening balance | Total |
|----------------------|--------------------|-----------|
| Historical monuments | 1 621 944 | 1 621 944 |

Reconciliation of heritage assets 2017

| | Opening balance | Total |
|----------------------|--------------------|-----------|
| Historical monuments | 1 621 944 | 1 621 944 |

7. Operating lease asset (accrual)

| | | |
|-------------------------|-----------------|------------------|
| Non-current assets | 36 264 | 57 691 |
| Current assets | 21 428 | 22 542 |
| Non-current liabilities | (71 566) | (60 997) |
| Current liabilities | (42 080) | (134 743) |
| | (55 954) | (115 507) |

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

8. Employee benefit obligations

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

In-service members that qualify for post employment medical aid benefit are entitled to a subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality.

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|-------------------|-------------------|
| Opening balance | 12 254 000 | 12 723 000 |
| Expected benefits payments | (186 000) | (188 000) |
| Net expense recognised in the statement of financial performance | 1 317 000 | (281 000) |
| | 13 385 000 | 12 254 000 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|------------------|------------------|
| Current service cost | 382 000 | 446 000 |
| Interest cost | 1 209 000 | 1 436 000 |
| Actuarial (gains) losses | (274 000) | (2 163 000) |
| | 1 317 000 | (281 000) |

Calculation of actuarial gains and losses

| | | |
|---------------------------------------|-----------|-------------|
| Actuarial (gains) losses – Obligation | (274 000) | (2 163 000) |
|---------------------------------------|-----------|-------------|

Key assumptions used

Assumptions used at the reporting date:

| | | |
|----------------------------|--------|--------|
| Discount rates used | 9.79 % | 9.94 % |
| Consumer price inflation | 6.14 % | 6.82 % |
| Health care cost inflation | 7.64 % | 8.32 % |
| Net discount rate | 2.00 % | 1.50 % |

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

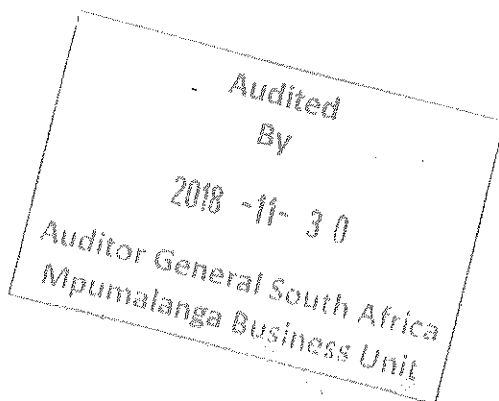
| | 2018 R | 2017 R |
|--|-------------------|-------------------|
| 8. Employee benefit obligations (continued) | | |
| Long service awards | | |
| Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits. | | |
| Opening balance | 19 537 000 | 18 107 000 |
| Current service cost | 2 113 000 | 2 107 000 |
| Interest cost | 1 702 000 | 1 561 000 |
| Actuarial (gains) / losses | 506 000 | (1 028 000) |
| Expected benefits payments | (1 301 000) | (1 210 000) |
| | 22 557 000 | 19 537 000 |
| Key assumptions used | | |
| Assumptions used at the reporting date: | | |
| Discount rates used | 9.18 % | 9.01 % |
| Consumer price inflation | 5.73 % | 5.81 % |
| Salary increase rate | 6.73 % | 6.81 % |
| Net discount rate | 2.30 % | 2.06 % |
| Normal retirement age | 63 | 63 |
| 9. Inventories | | |
| Consumable stores | 2 527 636 | 2 867 056 |
| Water | 389 537 | 945 384 |
| | 2 917 173 | 3 812 440 |
| 10. Receivables from exchange transactions | | |
| Deposits | 17 084 643 | 15 742 607 |
| Sundry debtors | 742 122 | 926 579 |
| Interest receivable | 249 341 | 647 501 |
| | 18 076 106 | 17 316 687 |
| 11. Receivables from non-exchange transactions | | |
| Allowance for impairment - Fines | (82 156 462) | (74 572 849) |
| Traffic fines | 86 777 322 | 82 532 383 |
| Consumer debtors - Rates | 55 487 732 | 77 907 768 |
| | 60 108 592 | 85 867 302 |
| Receivables from non-exchange transactions past due but not impaired | | |
| Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2018, R 6 377 616 (2017: R 7 115 834) were past due but not impaired. | | |
| The ageing of amounts past due but not impaired is as follows: | | |
| 1 month past due | 6 377 616 | 7 115 834 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|--------------------|---------------------|
| 11. Receivables from non-exchange transactions (continued) | | |
| Receivables from non-exchange transactions impaired | | |
| As of 30 June 2018, other receivables from non-exchange transactions of R 53 598 044 (2017: R 123 410 230) were impaired and provided for. | | |
| The amount of the provision was R (4 487 928) as of 30 June 2018 (2017: R (52 618 296)). | | |
| The ageing of these debtors is as follows: | | |
| 1 to 2 months | (307 671) | (2 071 409) |
| Over 2 months | (4 180 256) | (50 546 886) |
| Reconciliation of provision for impairment of receivables from non-exchange transactions | | |
| Opening balance | (52 618 296) | (11 036 711) |
| Provision for impairment | 4 474 160 | (41 581 585) |
| Amounts written off as uncollectible | 43 656 208 | - |
| | (4 487 928) | (52 618 296) |
| Net rates | | |
| Current (0-30 days) | 6 377 616 | 7 115 834 |
| 31-60 days | 3 366 761 | 2 786 846 |
| 61-90 days | 2 921 688 | 2 525 272 |
| 90+ days | 42 821 667 | 65 479 817 |
| | 55 487 732 | 77 907 769 |
| Net traffic fines | | |
| 30+ days | 3 897 674 | 7 959 534 |
| 12. VAT receivable | | |
| VAT | 47 148 084 | 41 318 977 |
| VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors. | | |
| 13. Consumer debtors | | |
| Gross balances | | |
| Electricity | 11 524 775 | 10 117 669 |
| Water | 7 559 037 | 6 165 433 |
| Waste water | 1 834 733 | 1 373 503 |
| Refuse | 1 943 352 | 1 366 081 |
| Other | 6 285 939 | 4 198 461 |
| | 29 147 836 | 23 221 147 |
| Less: Allowance for impairment | | |
| Electricity | (862 389) | (4 078 683) |
| Water | (565 636) | (2 485 439) |
| Waste water | (137 292) | (553 693) |
| Refuse | (145 419) | (550 701) |
| Other | (470 372) | (1 692 504) |
| | (2 181 108) | (9 361 020) |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

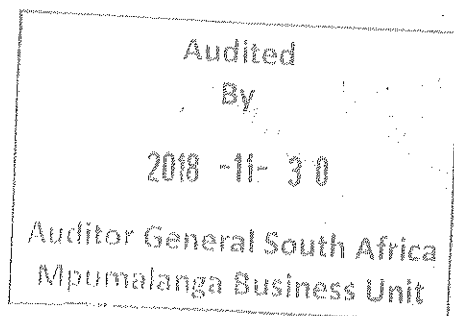
| | 2018 R | 2017 R |
|---|--------------------|--------------------|
| 13. Consumer debtors (continued) | | |
| Net balance | | |
| Electricity | 10 662 386 | 6 038 986 |
| Water | 6 993 401 | 3 679 994 |
| Waste water | 1 697 441 | 819 810 |
| Refuse | 1 797 933 | 815 380 |
| Other | 5 815 567 | 2 505 957 |
| | 26 966 728 | 13 860 127 |
| Electricity | | |
| Current (0 -30 days) | 5 344 952 | 5 664 094 |
| 31 - 60 days | 1 368 908 | 95 621 |
| 61 - 90 days | 456 182 | 41 785 |
| 91+ days | 3 492 344 | 237 486 |
| | 10 662 386 | 6 038 986 |
| Water | | |
| Current (0 -30 days) | 1 626 824 | 1 642 067 |
| 31 - 60 days | 456 040 | 282 930 |
| 61 - 90 days | 262 596 | 154 508 |
| 91+ days | 4 647 941 | 1 600 489 |
| | 6 993 401 | 3 679 994 |
| Waste water | | |
| Current (0 -30 days) | 403 867 | 353 320 |
| 31 - 60 days | 131 457 | 66 299 |
| 61 - 90 days | 89 548 | 42 346 |
| 91+ days | 1 072 569 | 357 845 |
| | 1 697 441 | 819 810 |
| Refuse | | |
| Current (0 -30 days) | 494 988 | 388 594 |
| 31 - 60 days | 170 762 | 67 271 |
| 61 - 90 days | 116 420 | 41 168 |
| 91+ days | 1 015 763 | 318 347 |
| | 1 797 933 | 815 380 |
| Other | | |
| Current (0 -30 days) | 1 722 293 | 429 367 |
| 31 - 60 days | 264 156 | 171 601 |
| 61 - 90 days | 203 557 | 106 924 |
| 91+ days | 3 625 561 | 1 798 065 |
| | 5 815 567 | 2 505 957 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (9 361 020) | (3 039 786) |
| Contributions to allowance | 2 181 108 | (6 321 234) |
| Debt impairment written off against allowance | 4 998 804 | - |
| | (2 181 108) | (9 361 020) |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|--------------------|--------------------|
| 13. Consumer debtors (continued) | | |
| Consumer debtors past due but not impaired | | |
| Consumer debtors which are less than 1 months past due are not considered to be impaired. At 30 June 2018, R 9 592 925 (2017: R 8 477 442) were past due but not impaired. | | |
| The ageing of amounts past due but not impaired is as follows: | | |
| 1 month past due | 9 592 925 | 8 477 442 |
| Consumer debtors impaired | | |
| As of 30 June 2018, consumer debtors of R 19 554 912 (2017: R 14 743 705) were impaired and provided for. | | |
| The amount of the provision was R (2 181 108) as of 30 June 2018 (2017: R (9 361 020)). | | |
| The ageing of these debtors is as follows: | | |
| 1 to 2 months | (33 444) | (1 690 736) |
| Over 2 months | (1 847 664) | (7 670 285) |
| 14. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 2 000 | 2 000 |
| Bank balances | 201 592 311 | 115 666 260 |
| Short-term deposits | 5 000 000 | 5 000 000 |
| | 206 594 311 | 120 668 260 |
| The municipality has ceded an amount of R5,000,000 as security in respect of ABSA investment for the guarantees that have been issued to Eskom by Absa bank. The remaining cash and cash equivalent balances held by the municipality is available for use by the municipality. | | |
| Short term deposits | | |
| The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates: | | |
| Short term deposits consists of: | | |
| ABSA account no 2068718251 | 5 000 000 | 5 000 000 |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | | | 2017 R | | |
|---|-------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
| 14. Cash and cash equivalents (continued) | | | | | | |
| The municipality had the following bank accounts | | | | | | |
| Account number / description | Bank statement balances | | | Cash book balances | | |
| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
| ABSA BANK, Current account - 1650 000 087 | 6 795 400 | 113 557 378 | 58 191 579 | 7 192 539 | 115 648 089 | 60 060 091 |
| ABSA BANK, MIG Fund - 4077034870 | 10 | 9 | - | 1 845 | 1 845 | 1 845 |
| ABSA BANK, MIG Transfers - 4080254392 | 60 971 | 100 | 16 550 | 84 513 | 6 410 | 14 675 |
| ABSA BANK, Bereavement Fund - 4078501159 | 268 | 76 | - | 268 | - | - |
| ABSA BANK - Liquidity plus - 9309577050 | 2 086 | 1 000 | 1 000 | 1 000 | 1 000 | 1 000 |
| STANDARD BANK - Current account - 032610335 | 214 041 863 | 11 462 | - | 192 888 046 | - | - |
| STANDARD BANK - Call account - 0318510316 | 1 424 100 | - | - | 1 424 100 | - | - |
| Total | 222 324 698 | 113 570 025 | 58 209 129 | 201 592 311 | 115 657 344 | 60 077 611 |

15. Finance lease obligation

Minimum lease payments due

| | | |
|-------------------------------------|-----------|-------------|
| - within one year | 2 693 935 | 3 148 865 |
| - in second to fifth year inclusive | 1 952 212 | 4 646 147 |
| | 4 646 147 | 7 795 012 |
| less: future finance charges | (703 836) | (1 723 143) |

Present value of minimum lease payments

| | |
|------------------|------------------|
| 3 942 311 | 6 071 869 |
|------------------|------------------|

Non-current liabilities

Current liabilities

| | |
|------------------|------------------|
| 1 807 430 | 3 942 311 |
| 2 134 881 | 2 129 557 |
| 3 942 311 | 6 071 868 |

The lease term is 2 & 3 years and the effective borrowing rate is 34.56% & 18.83% . Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were re-negotiated.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|-------------------|-------------------|
| Municipal Infrastructure Grant | 28 997 692 | - |
| Integrated National Electrification Grant | 16 202 | - |
| Water Service Infrastructure Grant | 215 616 | 1 091 840 |
| Municipal Water Infrastructure Grant | - | 13 112 348 |
| | 29 229 510 | 14 204 188 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-------------------|-------------------|
| 16. Unspent conditional grants and receipts (continued) | | |
| Movement during the year | | |
| Balance at the beginning of the year | 14 204 188 | 29 537 331 |
| Additions during the year | 283 396 400 | 363 089 000 |
| Income recognition during the year | (268 371 078) | (378 422 143) |
| | 29 229 510 | 14 204 188 |

See note for reconciliation of grants from National/Provincial Government.

17. Other financial liabilities

At amortised cost

Annuity loan - DBSA

- 1 540 955

These loans from DBSA bear interest between 13.4% and 17.5% per annum and are repayable in equal bi-annual repayments. Refer to Appendix A for more details on long-term liabilities.

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act.

Above borrowings from external parties were settled early.

There were no default on principal and interest repayments. None of the terms were re-negotiated.

Non-current liabilities

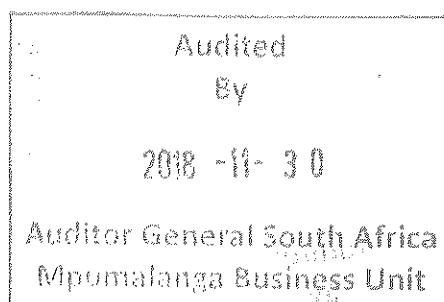
At amortised cost

- 836 001

Current liabilities

At amortised cost

- 704 954



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

18. Provisions

Reconciliation of provisions - 2018

| | Opening Balance | Increase / (reduction) in provisions | Interest charge | Total |
|-------------------|--------------------|--|------------------|-------------------|
| Landfill Site | 31 050 857 | (9 054 099) | 2 645 890 | 24 642 648 |
| Performance Bonus | 231 000 | 143 056 | - | 374 056 |
| Accumulated Leave | 24 669 795 | 4 782 738 | - | 29 452 533 |
| | 55 951 652 | (4 128 305) | 2 645 890 | 54 469 237 |

Reconciliation of provisions - 2017

| | Opening Balance | Increase / (reduction) in provisions | Interest charge | Total |
|-------------------|--------------------|--|------------------|-------------------|
| Landfill Site | 25 338 046 | 4 275 832 | 1 436 979 | 31 050 857 |
| Performance Bonus | 297 500 | (66 500) | - | 231 000 |
| Accumulated Leave | 22 436 852 | 2 232 943 | - | 24 669 795 |
| | 48 072 398 | 6 442 275 | 1 436 979 | 55 951 652 |

| | | |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | 24 642 648 | 22 906 672 |
| Current liabilities | 29 826 589 | 33 044 980 |
| | 54 469 237 | 55 951 652 |

Landfill site provision has been provided after a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorspruit, Marloth Park, Komatipoort, Kamaqhekeza and Steenbok landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are payable to eligible employees provided that the employee has met the targets as required in their performance contracts.

Employees are obliged to take at least 16 working days of his/her 24 annual leave days of which at least 10 working days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

19. Payables from exchange transactions

| | | |
|--|--------------------|--------------------|
| Trade payables | 60 063 019 | 91 103 371 |
| Debtors with credit balances | 12 408 278 | 11 156 395 |
| Accrued interest | - | 63 390 |
| Salary suspense accounts - Third parties | 1 624 669 | 4 932 482 |
| Prepayments-prepaid electricity | 447 745 | 147 627 |
| Other Creditors | 49 203 | 49 573 |
| Staff bonus accrual | 9 172 259 | 7 888 261 |
| Surety | 2 515 064 | 3 101 366 |
| Retentions | 44 937 350 | 51 462 690 |
| Consumer deposits | 4 196 453 | 3 930 019 |
| | 135 414 040 | 173 835 174 |

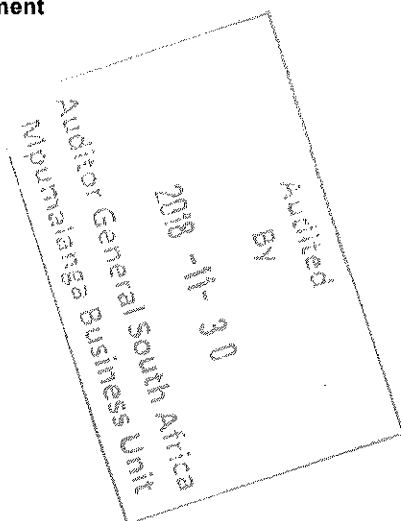
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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|----------------------|----------------------|
| 20. Service charges | | |
| Sale of electricity | 96 277 093 | 89 927 916 |
| Sale of water | 20 303 494 | 20 140 796 |
| Refuse removal | 7 278 617 | 6 695 977 |
| Sewerage and sanitation charges | 4 986 235 | 4 551 484 |
| | 128 845 439 | 121 316 173 |
| 21. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 3 040 464 | 3 646 374 |
| 22. Revenue | | |
| Service charges | 128 845 439 | 121 316 173 |
| Rental of facilities and equipment | 3 040 464 | 3 646 374 |
| Interest received (trading) | 11 391 004 | 11 428 648 |
| Agency services | 12 587 776 | 13 514 315 |
| Licences and permits | 36 103 | 13 794 |
| Recoveries | 498 604 | 732 393 |
| Operational revenue | 5 569 622 | 8 680 562 |
| Interest received (external) | 19 851 644 | 10 855 075 |
| Property rates | 105 503 008 | 105 560 428 |
| Government grants & subsidies | 737 311 077 | 828 018 698 |
| Public contributions and donations | 69 475 264 | 1 555 763 |
| Fines, Penalties and Forfeits | 5 411 836 | 23 328 917 |
| | 1 099 521 841 | 1 128 651 140 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 128 845 439 | 121 316 173 |
| Rental of facilities and equipment | 3 040 464 | 3 646 374 |
| Interest received (trading) | 11 391 004 | 11 428 648 |
| Agency services | 12 587 776 | 13 514 315 |
| Licences and permits | 36 103 | 13 794 |
| Recoveries | 498 604 | 732 393 |
| Operational revenue | 5 569 622 | 8 680 562 |
| Interest received (external) | 19 851 644 | 10 855 075 |
| | 181 820 656 | 170 187 334 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 105 503 008 | 105 560 428 |
| Transfer revenue | | |
| Government grants & subsidies | 737 311 077 | 828 018 698 |
| Public contributions and donations | 69 475 264 | 1 555 763 |
| Fines, Penalties and Forfeits | 5 411 836 | 23 328 917 |
| | 917 701 185 | 958 463 806 |
| 23. Agency services | | |
| Vehicle Registration and Licenses | 12 587 776 | 13 514 315 |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------------------|-----------------------|
| 24. Licences and permits (exchange) | | |
| Trading | 36 103 | 13 794 |
| 25. Fines, Penalties and Forfeits | | |
| Illegal Connections Fines | 402 580 | - |
| Law Enforcement Fines | 5 008 800 | 23 328 917 |
| Overdue Books Fines | 456 | - |
| | 5 411 836 | 23 328 917 |
| 26. Other revenue | | |
| Recoveries | 498 604 | 732 393 |
| Other income | 5 569 622 | 8 680 562 |
| | 6 068 226 | 9 412 955 |
| 27. Interest received - external | | |
| Bank | 5 280 732 | 7 094 912 |
| Investment | 14 570 912 | 3 760 163 |
| | 19 851 644 | 10 855 075 |
| 28. Property rates | | |
| Rates received | | |
| Residential | 40 952 600 | 44 321 898 |
| Business | 28 002 090 | 22 031 013 |
| Government | 31 204 993 | 32 964 503 |
| Agricultural | 5 168 505 | 5 905 741 |
| Other | 174 820 | 337 273 |
| | 105 503 008 | 105 560 428 |
| Valuations | | |
| Residential | 3 741 465 900 | 4 644 866 900 |
| Business | 1 156 261 372 | 1 246 310 372 |
| Government | 1 749 959 600 | 1 926 153 800 |
| Municipal | 239 223 200 | 240 222 200 |
| Agriculture | 2 451 781 600 | 2 732 581 600 |
| Churches | 82 624 000 | 82 624 000 |
| Industrial | 6 900 000 | 6 900 000 |
| Other - Unimproved and industrial | 613 704 800 | 557 845 800 |
| | 10 041 920 472 | 11 437 504 672 |

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 29. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 482 052 348 | 447 689 361 |
| Municipal Infrastructure Grant | 204 859 308 | 257 355 000 |
| Financial Management Grant | 1 700 000 | 1 625 000 |
| LG SETA Grant | 3 665 400 | 3 386 100 |
| Integrated National Electrification Grant | 4 983 798 | 9 000 000 |
| Water service infrastructure grant | 32 876 223 | 68 100 160 |
| Expanded Public Works Programme | 7 174 000 | 5 917 000 |
| HIV Grant | - | 597 456 |
| Municipal Water Infrastructure Grant | - | 14 348 621 |
| Municipal Disaster Recovery Grant | - | 20 000 000 |
| | 737 311 077 | 828 018 698 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

| | | |
|---|-------------------|---------------|
| Current-year receipts | 233 857 000 | 257 355 000 |
| Conditions met - transferred to revenue | (204 859 308) | (257 355 000) |
| | 28 997 692 | - |

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Expanded Public Works Programme

| | | |
|---|-------------|-------------|
| Current-year receipts | 7 174 000 | 5 917 000 |
| Conditions met - transferred to revenue | (7 174 000) | (5 917 000) |
| | - | - |

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines

Financial Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 700 000 | 1 625 000 |
| Conditions met - transferred to revenue | (1 700 000) | (1 625 000) |
| | - | - |

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

LG SETA Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 3 665 400 | 3 386 100 |
| Conditions met - transferred to revenue | (3 665 400) | (3 386 100) |
| | - | - |

This grant is intended provide support training for employees and the unemployed.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|---------------|-------------|
| 29. Government grants and subsidies (continued) | | |
| Integrated National Electrification Grant | | |
| Balance unspent at beginning of year | - | 2 076 361 |
| Current-year receipts | 5 000 000 | 9 000 000 |
| Conditions met - transferred to revenue | (4 983 798) | (9 000 000) |
| Transfer out - Roll over not approved | - | (2 076 361) |
| | 16 202 | - |

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Service Infrastructure Grant

| | | |
|---|----------------|------------------|
| Balance unspent at beginning of year | 1 091 840 | - |
| Current-year receipts | 32 000 000 | 69 192 000 |
| Conditions met - transferred to revenue | (32 876 224) | (68 100 160) |
| | 215 616 | 1 091 840 |

To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities.

Municipal Water Infrastructure Grant

| | | |
|---|--------------|-------------------|
| Balance unspent at beginning of year | 13 112 348 | 27 460 970 |
| Conditions met - transferred to revenue | - | (14 348 622) |
| Transfer out - Roll over not approved | (13 112 348) | - |
| | - | 13 112 348 |

This grant is intended to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

30. Public contributions and donations

| | | |
|------------------------------------|------------|-----------|
| Public contributions and donations | 69 475 264 | 1 555 763 |
|------------------------------------|------------|-----------|

The municipality has received donation of assets to the value of R69 475 264 for the current year.

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2018-11-30
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KwaZulu-Natal
Apumalane
South Africa

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 31. Employee related costs | | |
| Basic | 199 667 042 | 177 346 187 |
| Bonus | 16 090 073 | 13 880 322 |
| Medical aid | 16 308 756 | 13 318 012 |
| UIF | 1 773 609 | 1 710 459 |
| Other payroll levies | 138 561 | 125 184 |
| Pension fund contributions | 39 154 237 | 35 294 536 |
| Travel, motor car, accommodation, subsistence and other allowances | 27 823 567 | 29 279 282 |
| Overtime payments | 34 871 887 | 28 779 377 |
| Long-service awards | 4 659 015 | 2 700 924 |
| Housing benefits and allowances | 4 888 731 | 4 397 025 |
| Temporary employees | 6 747 771 | 6 341 210 |
| Standby | 6 573 170 | 6 227 258 |
| | 358 696 419 | 319 399 776 |
| Remuneration of municipal manager | | |
| Annual Remuneration | 980 000 | 980 000 |
| Travel and other allowances | 200 679 | 200 679 |
| Contributions to UIF, Medical and Pension Funds | 228 154 | 228 149 |
| | 1 408 833 | 1 408 828 |
| Remuneration of chief financial officer | | |
| Annual Remuneration | 622 941 | - |
| Travel and other allowances | 205 369 | - |
| Contributions to UIF, Medical and Pension Funds | 91 843 | - |
| | 920 153 | - |
| Remuneration of deputy chief financial officer | | |
| Annual Remuneration | 780 359 | - |
| Acting allowance | 40 458 | 202 432 |
| Travel and other allowances | 267 441 | - |
| Contributions to UIF, Medical and Pension Funds | 195 619 | - |
| | 1 283 877 | 202 432 |
| Remuneration of deputy director technical services | | |
| Annual Remuneration | 761 400 | - |
| Acting allowance | 7 156 | 76 066 |
| Travel and other allowances | 289 195 | - |
| Contributions to UIF, Medical and Pension Funds | 212 896 | - |
| | 1 270 647 | 76 066 |
| Remuneration of acting director corporate services | | |
| Acting allowance | 52 524 | - |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

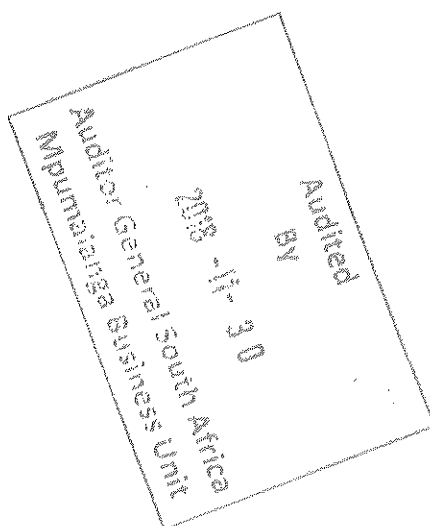
| | 2018 R | 2017 R |
|---|-------------------|-------------------|
| 31. Employee related costs (continued) | | |
| Remuneration of director technical services | | |
| Annual Remuneration | 751 147 | - |
| Travel and other allowances | 232 134 | - |
| Contributions to UIF, Medical and Pension Funds | 144 258 | - |
| | 1 127 539 | - |
| Remuneration of director planning and development | | |
| Annual Remuneration | 593 071 | 110 833 |
| Travel and other allowances | 141 970 | 8 605 |
| Contributions to UIF, Medical and Pension Funds | 97 294 | 40 100 |
| Leave pay | - | 127 680 |
| | 832 335 | 287 218 |
| Remuneration of acting director planning and development | | |
| Acting allowance | 32 124 | 20 950 |
| Remuneration of director community services | | |
| Annual Remuneration | 281 856 | 665 000 |
| Travel and other allowances | 79 250 | 51 261 |
| Contributions to UIF, Medical and Pension Funds | 90 952 | 212 376 |
| Leave pay | 127 680 | - |
| | 579 738 | 928 637 |
| Remuneration of director corporate services | | |
| Annual Remuneration | - | 665 000 |
| Travel and other allowances | - | 134 979 |
| Contributions to UIF, Medical and Pension Funds | - | 180 215 |
| | - | 980 194 |
| 32. Remuneration of councillors | | |
| Executive Major | 862 775 | 817 147 |
| Chief Whip | 776 884 | 620 117 |
| Mayoral Committee Members | 3 697 751 | 3 201 886 |
| Speaker | 804 041 | 753 079 |
| Councillors | 9 731 984 | 8 813 453 |
| Councillors' pension contribution | 1 734 715 | 2 215 335 |
| Councillors' Allowances | 9 904 598 | 6 543 842 |
| | 27 512 748 | 22 964 859 |
| Executive Mayor | | |
| Remuneration | 516 603 | 487 140 |
| Travel and other allowances | 237 247 | 221 684 |
| Contributions to UIF, Medical and Pension Fund | 108 925 | 108 323 |
| | 862 775 | 817 147 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-------------------|-------------------|
| 32. Remuneration of councillors (continued) | | |
| Speaker | | |
| Remuneration | 421 338 | 460 435 |
| Travel and other allowances | 324 278 | 210 680 |
| Contributions to UIF, Medical and Pension Fund | 58 425 | 81 964 |
| | 804 041 | 753 079 |
| Chief Whip | | |
| Remuneration | 366 070 | 361 054 |
| Travel and other allowances | 321 750 | 164 270 |
| Contributions to UIF, Medical and Pension Fund | 89 064 | 94 793 |
| | 776 884 | 620 117 |
| Members of mayoral committee | | |
| Remuneration | 1 959 647 | 1 925 845 |
| Travel and other allowances | 1 348 309 | 867 636 |
| Contributions to UIF, Medical and Pension Fund | 389 795 | 408 404 |
| | 3 697 751 | 3 201 885 |
| 33. Depreciation and amortisation | | |
| Property, plant and equipment | 60 943 181 | 55 564 425 |
| Investment property | 127 998 | 133 296 |
| Intangible assets | 336 381 | 208 622 |
| | 61 407 560 | 55 906 343 |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|-------------------|-------------------|
| 34. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | 16 882 052 | 23 924 311 |
| The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell. | | |
| Investment property | 15 280 166 | - |
| The events and circumstances that led to the recognition of the impairment of assets was significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell | | |
| | 32 162 218 | 23 924 311 |

The main classes of assets affected by impairment losses are:

Buildings

Infrastructure - Roads & paving

Infrastructure - Sewerage

Infrastructure - Water

Infrastructure - Solid Waste

Land

Investment property - Land

Fair value less cost to sell

Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.

35. Lease rentals on operating lease

Premises

| | | |
|---------------------|-----------|-----------|
| Contractual amounts | 5 115 063 | 3 802 510 |
|---------------------|-----------|-----------|

Plant and equipment

| | | |
|---------------------|---------|-----------|
| Contractual amounts | 884 953 | 2 396 187 |
|---------------------|---------|-----------|

Lease rental on waste disposal site

| | | |
|---------------------|-----------|---------|
| Contractual amounts | 1 990 715 | 928 092 |
|---------------------|-----------|---------|

| | |
|------------------|------------------|
| 7 990 731 | 7 126 789 |
|------------------|------------------|

36. Transfers and subsidies

Other subsidies

| | | |
|-------------------|-----------|------------|
| Electrical assets | 5 185 360 | 16 580 734 |
|-------------------|-----------|------------|

| | | |
|-----------------|-----------|-----------|
| Other transfers | 6 342 160 | 1 069 566 |
|-----------------|-----------|-----------|

| | |
|-------------------|-------------------|
| 11 527 520 | 17 650 300 |
|-------------------|-------------------|

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 37. Finance costs | | |
| Non-current borrowings | 168 550 | 305 402 |
| Finance leases | 1 019 308 | 470 880 |
| Interest paid | 861 976 | 6 229 095 |
| | 2 049 834 | 7 005 377 |
| 38. Debt impairment | | |
| Contributions to debt impairment provision | 14 238 881 | 51 556 025 |
| Bad debts written off | 11 840 230 | 22 272 966 |
| | 26 079 111 | 73 828 991 |
| 39. Bulk purchases | | |
| Electricity | 76 326 224 | 78 480 227 |
| Water | 1 642 486 | 814 526 |
| | 77 968 710 | 79 294 753 |
| 40. Contracted services | | |
| Outsourced Services | | |
| Alien Vegetation Control | 107 304 | 99 925 |
| Animal Care | 82 300 | 186 371 |
| Burial Services | 29 350 | 26 509 |
| Business and Advisory | 3 380 028 | 4 965 469 |
| Catering Services | 1 039 348 | 1 483 399 |
| Hygiene Services | 163 884 | - |
| Litter Picking and Street Cleaning | 32 007 | - |
| Mini Dumping Sites | 7 721 954 | 13 772 744 |
| Security Services | 28 915 076 | 26 535 212 |
| Sewerage Services | 36 400 | - |
| Traffic Fines Management | 6 310 | 2 389 603 |
| Consultants and Professional Services | | |
| Business and Advisory | 19 633 916 | 37 953 236 |
| Infrastructure and Planning | 2 577 424 | - |
| Laboratory Services | 442 047 | - |
| Legal Cost | 10 248 173 | 8 216 293 |
| Contractors | | |
| Artists and Performers | 51 400 | - |
| Electrical | 326 164 | 332 182 |
| Employee Wellness | 100 195 | 108 092 |
| Interior Decorator | 285 927 | - |
| Maintenance of Buildings and Other Assets | 1 728 864 | 14 246 465 |
| Maintenance of Equipment | 7 104 424 | 5 374 413 |
| Medical Services | 64 900 | - |
| Tracing Agents and Debt Collectors | 5 756 627 | 11 321 124 |
| Traffic and Street Lights | 92 970 | 660 543 |
| Transportation | 21 884 049 | 22 426 777 |
| Sewerage Services | 18 905 035 | 20 993 987 |
| Stage and Sound Crew | 143 900 | - |
| | 130 859 976 | 171 092 344 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 41. Loss on disposal of assets | | |
| Gains or losses arising from derecognition of assets | 893 191 | 1 251 703 |
| 42. Operational expenditure | | |
| Advertising | 1 226 494 | 934 000 |
| Auditors remuneration | 3 416 949 | 2 644 522 |
| Bank charges | 1 151 767 | 1 034 242 |
| Commission paid | 242 356 | 375 235 |
| Entertainment | 154 634 | 456 545 |
| Insurance | 1 147 791 | 1 327 114 |
| IT expenses | 4 177 706 | 4 046 047 |
| Levies | 6 334 841 | 2 468 755 |
| Postage and courier | 176 650 | 475 847 |
| Printing and stationery | 304 850 | 95 965 |
| Uniform and protective clothing | 3 085 501 | 2 477 371 |
| Subscriptions and membership fees | 15 602 | 8 528 |
| Telephone and fax | 732 203 | 277 437 |
| Travel and accommodation - local | 4 496 109 | 4 728 567 |
| Utilities | 50 174 815 | 35 969 414 |
| Inventory - consumables | 32 623 557 | 28 769 266 |
| Ward committees | 1 279 500 | 181 261 |
| Other expenses | 1 319 307 | 831 054 |
| | 112 060 632 | 87 101 170 |
| 43. Auditors' remuneration | | |
| Fees | 3 416 949 | 2 644 522 |
| 44. Net cash generated from operations | | |
| Surplus | 242 573 421 | 261 391 099 |
| Adjustments for: | | |
| Depreciation and amortisation | 61 407 560 | 55 906 343 |
| Loss on disposal of assets | 893 191 | 1 251 703 |
| Impairment deficit | 32 162 218 | 23 924 311 |
| Debt impairment | 26 079 111 | 73 828 991 |
| Movements in operating lease assets and accruals | (59 553) | 58 644 |
| Movements in retirement benefit assets and liabilities | 4 151 000 | 961 000 |
| Movements in provisions | (1 482 415) | 7 879 254 |
| Other non-cash items (Transfers received - Assets) | (69 372 788) | - |
| Other non-cash items (Transfers made - Assets) | 5 185 360 | 17 054 756 |
| Other non-cash items (Game animals additions) | 341 905 | 47 000 |
| Changes in working capital: | | |
| Inventories | 895 267 | (821 687) |
| Receivables from exchange transactions | (759 419) | (1 789 567) |
| Consumer debtors | (39 185 712) | (57 571 689) |
| Other receivables from non-exchange transactions | 25 758 710 | 24 028 898 |
| Payables from exchange transactions | (38 421 140) | (117 519 781) |
| VAT | (5 829 107) | 31 799 618 |
| Unspent conditional grants and receipts | 15 025 322 | (15 333 143) |
| | 259 362 931 | 305 095 750 |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 45. Commitments | | |
| Authorised expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 12 507 061 | 11 256 791 |
| • Infrastructure | 99 658 085 | 184 225 142 |
| • Other services | 28 614 816 | 46 024 132 |
| | 140 779 962 | 241 506 065 |
| Total capital commitments | | |
| Already contracted for but not provided for | 140 779 962 | 241 506 065 |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 783 309 | 2 533 478 |
| - in second to fifth year inclusive | - | 783 309 |
| | 783 309 | 3 316 787 |
| Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. | | |
| Operating leases - as lessor (income) | | |
| Minimum lease payments due | | |
| - within one year | 152 438 | 154 820 |
| - in second to fifth year inclusive | 130 606 | 283 044 |
| | 283 044 | 437 864 |
| Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable. | | |

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Mpumalanga Business Unit

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

46. Contingencies

Contingent liabilities

A Lubbe - Claim of R109 626,64 against unfair dismissal.

IMATU O.B.O L Lubisi - Claim of R120 270 for travel allowance.

SM Shabangu - claim for leave pay of R184 244,30

Tarfix - Claim for retention money amounting to R2 679 068,48

SM Shabangu - challenge against alleged unfair dismissal and anticipated costs claim of R1 020 000

Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1 264 063 for work done on the valuation roll for the municipality.

Valor IT - Claim for breach of contract amounting to R5 034 960

Matsamo cultural park - Claim for suffered damages caused by fire amounting to R5 418 000

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6 000 000

Telkom SA Limited - Claim for damages for an amount of R59 346,17

MJNS trading and towing - Claim for services rendered for an amount of R897 797

Contingent assets

The municipality lodged a counter claim of R10 855 225,17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6 300 000 for breach of contract.

SM Shabangu - Claim for recovery of unauthorised expenditure amounting to R3 248 996,40

47. Related parties

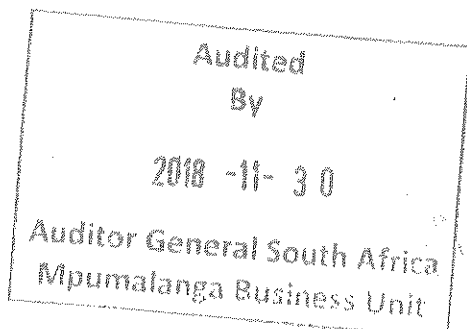
Relationships

Post employment benefit plan for employees of municipality

Members of key management

Refer to note on employee benefit obligations

Refer to note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

48. Prior period errors

Correction of previous year mathematical error on calculation of retention for infrastructure projects and reversal of accumulated depreciation that was calculated. Recognition of game animals that existed in prior year which was not accounted. Derecognition of land that is not owned by the municipality. Correction of prior year expenditure that was recorded inclusive of VAT.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

| | | |
|--|---|-------------|
| Infrastructure - Work in progress | - | (1 128 731) |
| Infrastructure - Water: cost | - | (732 650) |
| Input VAT | - | (142 538) |
| Retentions | - | 2 003 919 |
| Infrastructure - Water: accumulated depreciation | - | 44 292 |
| Accumulated Surplus or Deficit | - | 5 484 249 |
| PPE - Game animals | - | 47 000 |
| PPE - Land | - | (6 295 621) |
| Input VAT | - | 720 080 |

49. Comparative figures

Certain comparative figures have been reclassified.

The comparative figures have been reclassified to conform to presentation of expenditure by nature as required by GRAP 1.

The effects of the reclassification are as follows:

Statement of financial position - extract

| | Comparative figures previously reported | Reclassificati on | After reclassificatio n |
|---|--|----------------------|-------------------------------|
| Receivables from exchange transaction | 1 574 080 | 15 742 607 | 17 316 687 |
| Receivables from non-exchange transaction | 76 137 256 | 9 730 046 | 85 867 302 |
| Consumer debtors-exchange transactions | 23 590 173 | (9 730 046) | 13 860 127 |
| Deposits Made | 15 742 607 | (15 742 607) | - |
| Property, plant & equipment | 1 751 724 524 | (1 759 627) | 1 749 964 897 |
| | 1 868 768 640 | (1 759 627) | 1 867 009 013 |

Statement of financial performance - extract

| | Comparative figures previously reported | Reclassificati on | After reclassificatio n |
|--|--|----------------------|-------------------------------|
| Licences and permits (exchange transactions) | - | 13 794 | 13 794 |
| Licences and permits (non-exchange transactions) | 13 794 | (13 794) | - |
| Employee related cost | (325 772 857) | 5 659 756 | (320 113 101) |
| Lease rentals on operating lease | - | (7 126 789) | (7 126 789) |
| Contracted services | (35 601 165) | (127 274 885) | (162 876 050) |
| Transfers and grants | (16 580 734) | (1 069 566) | (17 650 300) |
| Actuarial gains/(losses) | 3 191 000 | (3 191 000) | - |
| Operational expenditure | (228 319 950) | 133 002 484 | (95 317 466) |
| | (603 069 912) | - | (603 069 912) |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

49. Comparative figures (continued)

Cash Flow Statement - extract

| | Comparative figures previously reported | Reclassificati on | After reclassificatio n |
|---|--|----------------------|-------------------------------|
| Purchase of deposits made | (1 948 039) | 1 948 039 | - |
| Suppliers | (506 531 298) | 15 106 717 | (491 424 581) |
| Proceeds from sale of property, plant and equipment | 17 054 756 | (17 054 756) | - |
| | (491 424 581) | - | (491 424 581) |

Notes to the Annual Financial Statements - extract

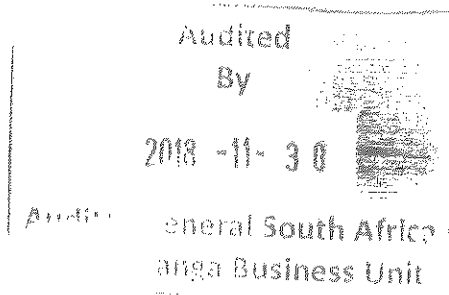
| | Comparative figures previously reported | Reclassificati on | After reclassificatio n |
|--|--|----------------------|-------------------------------|
| Infrastructure solid waste - accumulated depreciation and accumulated impairment | (3 036 311) | (18 968 207) | (22 004 518) |
| Infrastructure solid waste - cost | 12 497 359 | 18 968 207 | 31 465 566 |
| Impairment of receivables - Non-exchange transactions | (46 046 698) | (6 571 598) | (52 618 296) |
| Impairment of receivables - exchange transactions | (15 932 618) | 6 571 598 | (9 361 020) |
| Net cash generated from operations | 289 942 033 | (1 948 039) | 287 993 994 |
| Movement in deposits made | (1 948 039) | 1 948 039 | - |
| Property, plant and equipment | 1 751 724 524 | (1 759 627) | 1 749 964 897 |
| | 1 987 200 250 | (1 759 627) | 1 985 440 623 |

50. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

| At 30 June 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---------------------------|---------------------|--------------------------|--------------------------|--------------|
| Finance lease obligations | 2 134 881 | 1 807 430 | - | - |
| Trade and other payables | 135 414 040 | - | - | - |
| Operating lease liability | 42 080 | 71 566 | - | - |
| At 30 June 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Borrowings | 704 954 | 836 001 | - | - |
| Finance lease obligations | 2 129 557 | 3 942 311 | - | - |
| Trade and other payables | 173 835 174 | - | - | - |
| Operating lease liability | 134 743 | 60 997 | - | - |



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

50. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated impairment of consumer debtors.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2018 | 2017 |
|---|-------------|-------------|
| Cash and cash equivalents | 206 594 311 | 120 668 260 |
| Receivable from non-exchange transactions | 60 108 592 | 85 867 302 |
| Receivable from exchange transactions | 18 076 106 | 17 316 687 |
| Consumer debtors - exchange transactions | 26 966 728 | 13 860 127 |

51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

52. Unauthorised expenditure

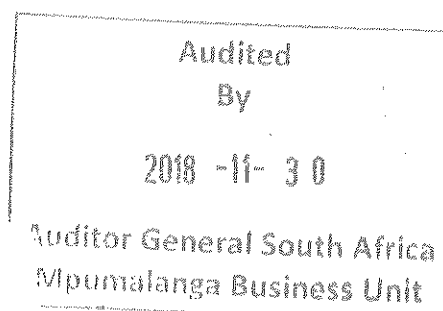
| | | |
|---|------------------|--------------------|
| Unauthorised expenditure - Opening balance | 152 788 826 | 89 920 902 |
| Unauthorised expenditure - Current year | 3 190 504 | 62 867 924 |
| Unauthorised expenditure - Written off by Council | (152 788 826) | - |
| | 3 190 504 | 152 788 826 |

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget. The unauthorised expenditure of R3 190 504 is awaiting for authorisation. The unauthorised expenditure is irrecoverable.

53. Fruitless and wasteful expenditure

| | | |
|---|----------------|------------------|
| Fruitless and wasteful expenditure - Opening balance | 3 377 176 | 1 582 092 |
| Fruitless and wasteful expenditure - Current year | 861 976 | 1 795 084 |
| Fruitless and wasteful expenditure - Written off by Council | (3 377 178) | - |
| | 861 974 | 3 377 176 |

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments and late submission of SARS returns. Fruitless and wasteful expenditure of R861 974 is awaiting for authorisation. The fruitless and wasteful expenditure is irrecoverable.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|--------------------|--------------------|
| 54. Irregular expenditure | | |
| Irregular expenditure - Opening balance | 439 123 737 | 346 004 166 |
| Irregular expenditure - Current year | - | 7 201 887 |
| Irregular expenditure - Incurred in current year relating to prior year | 58 544 464 | 85 917 684 |
| | 497 668 201 | 439 123 737 |

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R439 123 737 has been written-off by council as irrecoverable after investigations and is awaiting to be submitted to National Treasury to be condoned. The municipality will investigate irregular expenditure incurred in the current year and the full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-----------|-----------|
| Opening balance | - | 14 341 |
| Current year subscription / fee | 208 601 | 184 735 |
| Amount paid - current year | (208 601) | (199 076) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 3 416 949 | 2 644 522 |
| Amount paid - current year | (3 416 949) | (2 644 522) |
| | - | - |

PAYE and UIF

| | | |
|---------------------------------|--------------|------------------|
| Opening balance | 3 530 425 | 3 081 259 |
| Current year subscription / fee | 48 836 994 | 41 425 443 |
| Amount paid - current year | (52 367 419) | (40 976 277) |
| | - | 3 530 425 |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Opening balance | - | 5 911 954 |
| Current year subscription / fee | 83 338 756 | 73 326 026 |
| Amount paid - current year | (83 338 756) | (79 237 980) |
| | - | - |

VAT

| | | |
|----------------|------------|------------|
| VAT receivable | 47 148 084 | 41 318 977 |
|----------------|------------|------------|

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 90 days at 30 June 2018:

Deviations

Incident

| | | |
|-------------------------------|------------------|----------------|
| Deviations - opening balance | 567 209 | - |
| Deviations - current year | 3 155 982 | 2 625 586 |
| Deviations - noted by council | (1 212 903) | (2 058 377) |
| | 2 510 288 | 567 209 |

Awards to close family members of persons in the service of the state

| | | |
|--------------------------|--------|---|
| Current year expenditure | 49 886 | - |
|--------------------------|--------|---|

A procurement for catering services was made to Agreement Business Enterprise whose director is a close family member of a person in service of the state.

56. Distribution losses

| Water | Year | Kilo litres pumped | Kilo litres sold | Loss in kilo litres | Loss in percentage |
|-------|--------------|--------------------|------------------|---------------------|--------------------|
| | 30 June 2018 | 2 560 687 | 2 027 011 | 536 176 | 2% |
| | 30 June 2017 | 2 679 890 | 2 072 739 | 604 045 | 2% |

| Electricity | Year | Units purchased | Units sold | Loss in units | Loss in percentage |
|-------------|--------------|-----------------|------------|---------------|--------------------|
| | 30 June 2018 | 81 046 226 | 71 365 717 | 9 680 510 | 12% |
| | 30 June 2017 | 79 181 156 | 60 672 871 | 18 508 285 | 23% |

Water distribution loss calculated value amounts to R4 482 427 (2017: R4 747 795)

Electricity distribution loss calculated value amounts to R6 041 606 (2017: R10 815 696)

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|-----------|-----------|
|--|-----------|-----------|

57. Budget differences

Material differences between budget and actual amounts

Rental of facilities and equipment - more receipts from rental of JU farm than it was anticipated

Interest earned debtors - non-payment from Leopard Creek Properties

Other income - Donations of assets was not budgeted

Service charges - more receipts from sale of electricity than it was budgeted

Government grants & subsidies - R21.2 Million for WSIG not received, MIG unspent conditional grant of R28 Million, R13 Million for MWIG reverted back to NT.

Agency fees - under budgeted due to previous trends

Recoveries - Contingent in nature, therefore budgeted the actual amount received by midyear

Fines - more budget due to previous year's trends

Licenses & permits - under budgeted due to previous years trends

Interest earned: external - More investments made during the year

Public contributions and donation - not budgeted for

Employee related costs - Subsistence and transport (travel claims) allocated under general expenditure in the budget. Subsistence and transport (travel claims) actual amounts allocated to employee related cost.

Remuneration of councillors - Subsistence and transport (travel claims) allocated under general expenditure in the budget. Subsistence and transport (travel claims) actual amounts allocated to remuneration of councillors.

Finance costs - Only Interest on external loans was budgeted

Lease rentals on operating lease - over budgeted

Debt impairment - over budget due to previous year trend

Bulk Purchases - more receipts on electricity sales resulted to additional bulk purchase

Contracted services - Underspending on sanitation project and maintenance of equipment

Transfers and grants - Donation of assets was not budgeted

General expenses - under budgeting on various expenditure line items

Gain / (Loss) on disposal of assets - did not budget

Assets

Inventories - Over budget due to previous year trend

Operating lease asset - Over budgeting due to previous year trend

Receivables from exchanged transaction - did not budget

Consumer debtors - under budgeting due to previous year trend

Cash and cash equivalents - under budgeting due to previous year trend

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|------|------|
| | R | R |

57. Budget differences (continued)

Intangible assets - over budgeting due to previous year trend

Heritage asset - more budget due to previous year trend

Liabilities

Other financial liabilities - over budgeting for long term loan repayment

Finance lease obligation - did not budget

Operating lease liability - did not budget

Trade and other payables from exchanged transactions - Over budgeted due to previous trends

Unspent conditional grant - did not budget

Provisions - over budgeted due to previous trends

consumer deposits - under budgeted due to previous trends

Employee benefit obligation - did not budget

Schedule of external loans as at 30 June 2018

| Loan Number | Redeemable | Balance at Friday, 30 June 2017 | Received during the period | Redeemed written off during the period | Balance at Saturday, 30 June 2018 | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MIFMA Rand |
|---|------------|---------------------------------|----------------------------|--|-----------------------------------|--|---|
| | | Rand | Rand | Rand | Rand | Rand | Rand |
| Development Bank of Southern Africa | | | | | | | |
| Loan @ 16.5% (Upgrading of Malelane Infrastructure) | 2018 | 1 604 345 | - | 1 604 345 | - | - | - |
| Total external loans | | 1 604 345 | - | 1 604 345 | - | - | - |
| Development Bank of Southern Africa | | | | | | | |
| | | 1 604 345 | - | 1 604 345 | - | - | - |
| | | 1 604 345 | - | 1 604 345 | - | - | - |

Nkomazi Local Municipality
Nkomazi Local Municipality
Appendix B
June 2018

Analysis of property, plant and equipment as at 30 June 2018
Accumulated depreciation

Cost/Revaluation

| | Opening Balance Rand | Additions Rand | Donations Rand | Transfers-WIP completed Rand | Disposals Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposal Rand | Transfers-WIP completed Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|-----------------------------------|----------------------------|-------------------|-------------------|------------------------------------|-------------------|-------------------------------------|----------------------------|----------------------------|------------------|------------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Land and buildings | | | | | | | | | | | | | | |
| Land | 142 211 238 | - | - | - | - | - | 142 211 238 | - | - | - | - | - | - | 142 211 238 |
| Work in progress - buildings | 58 098 424 | 8 950 703 | - | (48 598 724) | - | - | 18 450 403 | - | - | - | - | - | - | 18 450 403 |
| Buildings | 130 558 148 | 15 566 346 | 14 893 302 | 48 598 724 | - | - | 209 616 520 | (46 555 889) | - | - | (5 940 916) | - | (52 496 805) | 157 119 715 |
| | 330 867 810 | 24 517 049 | 14 893 302 | - | - | - | 370 278 161 | (46 555 889) | - | - | (5 940 916) | - | (52 496 805) | 317 781 356 |
| Infrastructure | | | | | | | | | | | | | | |
| Roads and stormwater | 291 833 573 | 4 276 930 | 18 855 528 | 84 326 852 | - | - | 399 292 883 | (80 836 309) | - | - | (11 192 436) | - | (92 028 745) | 307 264 138 |
| Sewerage | 8 994 287 | - | 1 239 354 | - | - | - | 10 233 641 | (1 138 089) | - | - | (165 946) | - | (1 304 035) | 8 929 606 |
| Electricity | 72 593 604 | 1 446 110 | 33 629 701 | 5 185 360 | (5 185 360) | - | 107 769 415 | (18 848 443) | - | - | (2 863 876) | - | (21 712 319) | 86 057 096 |
| Water | 928 418 551 | 15 878 159 | 754 903 | 54 445 380 | (758 521) | - | 998 738 472 | (206 842 046) | 124 887 | - | (32 485 452) | (633 634) | (239 836 245) | 758 902 227 |
| Solid waste | 31 465 566 | 164 847 | - | - | - | - | 31 630 413 | (22 004 518) | - | - | (258 266) | - | (22 262 784) | 9 367 629 |
| Work in progress - Infrastructure | 416 289 282 | 119 159 859 | - | (143 957 592) | - | - | 391 491 529 | - | - | - | - | - | - | 391 491 529 |
| | 1 749 594 843 | 140 925 905 | 54 479 486 | - | (5 943 881) | - | 1 939 156 353 | (329 669 405) | 124 887 | - | (46 965 976) | (633 634) | (377 144 128) | 1 562 012 225 |

Analysis of property, plant and equipment as at 30 June 2018 Cost/Revaluation Accumulated depreciation

| | Opening Balance Rand | Additions Rand | Donations Rand | Transfers-WIP completed Rand | Disposals Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposal Rand | Transfers-WIP completed Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------------|--------------------|-------------------|------------------------------------|--------------------|-------------------------------------|----------------------------|----------------------------|------------------|------------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Heritage assets | | | | | | | | | | | | | | |
| Historical monuments | 1 621 944 | - | - | - | - | - | 1 621 944 | - | - | - | - | - | - | 1 621 944 |
| Other assets | | | | | | | | | | | | | | |
| Furniture and fixtures | 9 433 592 | 181 170 | - | - | (191 131) | - | 9 423 631 | (6 861 065) | 175 919 | - | (547 568) | - | (7 232 714) | 2 190 917 |
| Plant and equipment | 30 132 190 | 1 590 183 | - | - | (397 107) | - | 31 325 266 | (17 382 374) | 295 339 | - | (2 610 102) | - | (19 697 137) | 11 628 129 |
| IT equipment | 14 104 371 | 1 386 397 | - | - | (206 993) | - | 15 283 775 | (5 168 605) | 185 885 | - | (2 859 148) | - | (7 841 868) | 7 421 907 |
| Motor vehicles | 41 202 600 | 617 424 | - | - | - | - | 41 820 024 | (23 817 167) | - | - | (2 019 471) | - | (25 836 638) | 15 983 386 |
| Game Animals | 3 784 004 | - | - | - | - | - | 3 784 004 | - | - | - | - | - | - | 3 784 004 |
| | 98 656 757 | 3 755 174 | - | - | (795 231) | - | 101 616 700 | (53 229 211) | 657 143 | - | (8 036 289) | - | (60 608 357) | 41 008 343 |
| Total property plant and equipment | 2 180 841 354 | 169 198 128 | 69 372 788 | - | (6 739 112) | - | 2 412 673 158 | (429 454 505) | 782 030 | - | (60 943 181) | (633 634) | (490 249 280) | 1 922 423 868 |
| Intangible assets | | | | | | | | | | | | | | |
| Computers - software & programming | 2 041 626 | 226 336 | - | - | (15 465) | - | 2 252 497 | (639 255) | 12 792 | - | (336 381) | - | (962 844) | 1 289 653 |
| | 2 041 626 | 226 336 | - | - | (15 465) | - | 2 252 497 | (639 255) | 12 792 | - | (336 381) | - | (962 844) | 1 289 653 |
| Investment properties | | | | | | | | | | | | | | |
| Investment property | 46 445 555 | - | - | - | - | - | 46 445 555 | (2 083 409) | - | - | (127 998) | - | (2 211 407) | 44 234 148 |
| | 46 445 555 | - | - | - | - | - | 46 445 555 | (2 083 409) | - | - | (127 998) | - | (2 211 407) | 44 234 148 |
| Total | | | | | | | | | | | | | | |
| Land and buildings | 330 867 810 | 24 517 049 | 14 893 302 | - | - | - | 370 278 161 | (46 555 889) | - | - | (5 940 916) | - | (52 496 805) | 317 781 356 |
| Infrastructure | 1 749 694 843 | 140 925 905 | 54 479 486 | - | (5 943 881) | - | 1 939 156 353 | (329 669 406) | 124 887 | - | (46 965 976) | (633 634) | (377 144 128) | 1 562 012 225 |
| Heritage assets | 1 621 944 | - | - | - | - | - | 1 621 944 | - | - | - | - | - | - | 1 621 944 |
| Other assets | 98 656 757 | 3 755 174 | - | - | (795 231) | - | 101 616 700 | (53 229 211) | 657 143 | - | (8 036 289) | - | (60 608 357) | 41 008 343 |
| Intangible assets | 2 041 626 | 226 336 | - | - | (15 465) | - | 2 252 497 | (639 255) | 12 792 | - | (336 381) | - | (962 844) | 1 289 653 |
| Investment properties | 46 445 555 | - | - | - | - | - | 46 445 555 | (2 083 409) | - | - | (127 998) | - | (2 211 407) | 44 234 148 |
| | 2 229 328 535 | 169 424 464 | 69 372 788 | - | (6 754 577) | - | 2 461 371 210 | (432 177 169) | 794 822 | - | (61 407 560) | (633 634) | (493 423 541) | 1 967 947 669 |

Nkomazi Local Municipality
Appendix D
June 2018

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|-----------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Municipality | | | | | |
| 5 917 000 | 47 960 959 | (42 043 959) | Executive & Council | 65 237 959 | (58 063 959) |
| 303 617 184 | 170 877 425 | 132 739 759 | Budget and Treasury Office | 173 980 874 | 219 891 484 |
| 12 671 446 | 62 647 481 | (49 976 035) | Corporate Services | 60 966 067 | (53 284 833) |
| 867 671 | 18 043 394 | (17 175 723) | Planning and development | 20 004 597 | (19 177 054) |
| 105 769 790 | 173 049 296 | (67 279 506) | Community and social services | 160 121 477 | (65 086 409) |
| 702 999 048 | 397 872 484 | 305 126 564 | Infrastructure and development | 344 580 469 | 250 351 175 |
| 1 131 842 139 | 870 451 039 | 261 391 100 | 1 099 521 847 | 824 891 443 | 274 630 404 |

Nkomazi Local Municipality

Appendix E(1)

June 2018

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

| | Current year 2018 Act. Bal. | Current year 2018 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|--|-----------------------------------|--|------------------|--------|--|
| | Rand | Rand | Rand | | |
| Revenue | | | | | |
| Property rates | 105 503 008 | 107 901 150 | (2 398 142) | (2.2) | |
| Service charges | 128 845 439 | 110 195 209 | 18 650 230 | 16.9 | |
| Rental of facilities and equipment | 3 040 465 | 2 972 386 | 68 079 | 2.3 | |
| Interest received (trading) | 11 391 004 | 4 448 941 | 6 942 063 | 156.0 | |
| Agency services | 12 587 776 | 10 545 087 | 2 042 689 | 19.4 | |
| Licences and permits | 36 103 | 18 682 | 17 421 | 93.3 | |
| Public contributions and donations | 69 475 264 | - | 69 475 264 | - | |
| Fines, penalties and forfeits | 5 411 836 | 25 981 134 | (20 569 298) | (79.2) | |
| Government grants and subsidies | 737 311 077 | 794 694 150 | (57 383 073) | (7.2) | |
| Recoveries | 498 604 | - | 498 604 | - | |
| Other income | 5 569 622 | 7 504 008 | (1 934 386) | (25.8) | |
| Interest received - external | 19 851 644 | 4 918 398 | 14 933 246 | 303.6 | |
| | 1 099 521 842 | 1 069 179 145 | 30 342 697 | 2.8 | |
| Expenses | | | | | |
| Personnel | (365 303 400) | (314 373 894) | (50 929 506) | 16.2 | |
| Remuneration of councillors | (27 512 748) | (22 225 954) | (5 286 794) | 23.8 | |
| Depreciation | (61 407 560) | (66 412 262) | 5 004 702 | (7.5) | |
| Amortisation | - | - | - | - | |
| Impairments | (32 162 218) | - | (32 162 218) | - | |
| Finance costs | (2 049 834) | (883 534) | (1 166 300) | 132.0 | |
| Debt Impairment | (26 079 111) | (37 071 660) | 10 992 549 | (29.7) | |
| Lease rentals on operating lease | (7 990 731) | (9 437 671) | 1 446 940 | (15.3) | |
| Bulk purchases | (77 968 710) | (62 776 264) | (15 192 446) | 24.2 | |
| Contracted Services | (120 611 803) | (150 063 340) | 29 451 537 | (19.6) | |
| Transfers and Subsidies | (11 527 520) | (6 580 049) | (4 947 471) | 75.2 | |
| General Expenses | (122 308 805) | (145 336 516) | 23 027 711 | (15.8) | |
| | (854 922 440) | (815 161 144) | (39 761 296) | 4.9 | |
| Other revenue and costs | | | | | |
| Gain or loss on disposal of assets and liabilities | (893 190) | - | (893 190) | - | |
| | (893 190) | - | (893 190) | - | |
| Net surplus/ (deficit) for the year | 243 706 212 | 254 018 001 | (10 311 789) | (4.1) | |

Nkomazi Local Municipality

Appendix E(2)

June 2018

Actual versus Budget (Acquisition of Property, Plant and Equipment) as at 30 June 2018

| | Additions Rand | Revised Budget Rand | Variance | | Explanation of significant variances from budget |
|--------------------------------|--------------------|------------------------|--------------------|-----------|---|
| | | | Rand | % | |
| Municipality | | | | | |
| Executive & Council | 175 297 | 876 345 | 701 048 | 80 | |
| Budget and treasury | 246 876 | 3 553 000 | 3 306 124 | 93 | |
| Corporate services | 711 650 | 607 105 | (104 545) | (17) | |
| Planning and development | 417 443 | 762 000 | 344 557 | 45 | |
| Community & Social services | 25 405 312 | 76 790 245 | 51 384 933 | 67 | |
| Infrastructure and development | 142 467 884 | 198 966 029 | 56 498 145 | 28 | |
| | 169 424 462 | 281 554 724 | 112 130 262 | 40 | |

Nkomazi Local Municipality
Appendix F
Disclosure of Grants and Subsidies in terms of the Municipal Finance
Management Act
June 2018

| Name of Grants | Quarterly Receipts | | | |
|--|--------------------|-------------|-------------|-----|
| | Dec | Mar | Jun | Sep |
| Equitable Share | 201 310 000 | 146 844 000 | 120 786 000 | - |
| Municipal Infrastructure Grant (MIG) | 93 543 000 | 81 850 000 | 58 464 000 | - |
| Water Services Infrastructure Grant (WSIG) | 20 000 000 | 12 000 000 | - | - |
| Integrated National Electrification Programme Grant (INEP) | - | 5 000 000 | - | - |
| Finance Management Grant (FMG) | 1 700 000 | - | - | - |
| Expanded Public Works Programme Grant | 1 794 000 | 3 228 000 | 2 152 000 | - |
| | - | - | - | - |
| | 318 347 000 | 248 922 000 | 181 402 000 | - |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nkomazi Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2018

| | 2018/2017 | | | | 2017/2016 | | | | | | | | |
|---|---|--------------------------|---------------------------------|---|---------------|----------------|--------------------------|--|-------------------------------------|-----------------------------------|---|-------------------------|--------------------------|
| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Reported unauthorised expenditure | Expenditure authorised in terms of MFMA | Balance to be recovered | Restated Audited Outcome |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| 345 325 452 | (22 406 440) | 322 919 012 | - | - | 322 919 012 | 408 727 592 | - | 85 808 580 | 127 % | 118 % | - | - | 322 205 630 |
| Municipal governance and administration | - | 7 174 000 | - | - | 7 174 000 | 7 174 000 | - | - | 100 % | - | - | - | 5 917 000 |
| Executive and council | (22 240 499) | 302 976 957 | - | - | 302 976 957 | 393 872 358 | - | 90 895 401 | 130 % | 100 % | - | - | 303 817 184 |
| Finance and administration | (165 941) | 12 768 055 | - | - | 12 768 055 | 7 681 234 | - | (5 086 821) | 60 % | 121 % | - | - | 12 671 445 |
| Corporate services | 186 634 | 411 668 | - | - | 411 668 | 94 094 | - | (317 574) | 23 % | 44 % | - | - | 2 259 157 |
| Community and public safety | 139 870 | 47 757 | - | - | 47 757 | 74 811 | - | 27 054 | 157 % | 53 % | - | - | 83 089 |
| Community and social services | (32 113) | 356 930 | - | - | 356 930 | (2 920) | - | (359 750) | (1) % | (5) % | - | - | 13 638 |
| Sport and recreation | 293 802 | 7 081 | - | - | 7 081 | 22 203 | - | 15 122 | 314 % | 183 % | - | - | 9 211 |
| Public safety | (5 055) | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - |
| Housing | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | 2 153 219 |
| Health | - | 50 506 842 | - | - | 50 506 842 | 35 227 127 | - | (15 279 715) | 70 % | 96 % | - | - | 43 877 099 |
| Economic and environmental services | (1 258 672) | 10 580 241 | - | - | 10 580 241 | 6 987 588 | - | (3 592 673) | 66 % | 59 % | - | - | 5 843 836 |
| Planning and development | 14 921 641 | 36 219 640 | - | - | 36 219 640 | 17 598 961 | - | (18 620 679) | 49 % | 83 % | - | - | 36 843 895 |
| Road transport | - | 3 706 961 | - | - | 3 706 961 | 10 640 598 | - | 6 933 637 | 287 % | 287 % | - | - | 1 189 368 |
| Environmental protection | 15 557 714 | 695 341 621 | - | - | 695 341 621 | 665 473 034 | - | (39 868 587) | 94 % | 96 % | - | - | 763 500 256 |
| Trading services | 145 345 247 | 146 009 577 | - | - | 146 009 577 | 165 564 268 | - | 19 554 691 | 113 % | 114 % | - | - | 159 551 720 |
| Energy sources | 383 315 243 | 398 249 077 | - | - | 398 249 077 | 348 501 226 | - | (49 747 851) | 88 % | 91 % | - | - | 533 919 018 |
| Water management | 80 552 977 | 31 753 | - | - | 80 584 730 | 74 703 741 | - | (5 880 989) | 93 % | 93 % | - | - | 4 551 464 |
| Waste water management | 70 570 440 | (72 203) | - | - | 70 498 237 | 66 703 799 | - | (3 794 438) | 95 % | 95 % | - | - | 65 478 034 |
| Waste management | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - |
| Other | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - |
| Total Revenue - Functional | 7 010 877 | 1 069 179 143 | - | - | 1 069 179 143 | 1 099 521 847 | - | 30 342 704 | 103 % | 104 % | - | - | 1 131 842 142 |

**Nkomazi Local Municipality
Appendix G1**

**Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2018**

| 2018/2017 | | | | | | | | | | | | | | | 2017/2016 | | | | | | | | | | | | | | | |
|--------------------------------|--------------|---|---|--------------------------|---|--|-------------|---|--------------|--------------|-------|----------------|--------------|--------------------------|--------------|---|---|-------------------------------------|---|--|---|-----------------------------------|---|---|---|-------------------------|---|--------------------------|---|---|
| Original Budget | | Budget Adjustments (i.e. s28 and s31 of the MFMA) | | Final adjustments budget | | Shifting of funds (i.e. s31 of the MFMA) | | Virement (i.e. Council approved policy) | | Final Budget | | Actual Outcome | | Unauthorised expenditure | | Variance of Actual Outcome against Adjustments Budget | | Actual Outcome as % of Final Budget | | Actual Outcome as % of Original Budget | | Reported unauthorised expenditure | | Expenditure authorised in terms of section 32 of MFMA | | Balance to be recovered | | Restated Audited Outcome | | |
| Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | |
| 329 137 028 | (9 931 732) | 319 205 296 | - | - | - | 319 205 296 | 300 184 900 | (3 786 992) | (2 799 391) | (19 020 396) | 94 % | 91 % | (36 006 679) | - | 36 006 679 | 281 485 865 | | | | | | | | | | | | | | |
| 57 103 393 | (1 887 503) | 55 215 890 | - | - | - | 55 215 890 | 58 015 281 | (2 799 391) | (2 799 391) | 2 799 391 | 105 % | 102 % | (10 079 707) | - | (10 079 707) | 47 960 569 | | | | | | | | | | | | | | |
| 211 256 534 | (14 468 272) | 196 788 262 | - | - | - | 196 788 262 | 173 980 874 | - | (22 807 388) | (22 807 388) | 88 % | 82 % | (30 222 493) | - | 30 222 493 | 170 877 425 | | | | | | | | | | | | | | |
| 60 777 101 | 6 424 043 | 67 201 144 | - | - | - | 67 201 144 | 68 188 745 | (987 601) | (987 601) | 987 601 | 101 % | 112 % | (15 863 893) | - | 15 863 893 | 62 647 481 | | | | | | | | | | | | | | |
| 60 209 281 | 2 344 860 | 62 554 141 | - | - | - | 62 554 141 | 61 497 866 | (3 062 954) | (1 056 275) | (1 056 275) | 98 % | 102 % | (1 670 920) | - | 1 670 920 | 56 988 687 | | | | | | | | | | | | | | |
| 39 327 585 | 2 293 778 | 41 621 364 | - | - | - | 41 621 364 | 44 878 415 | (2 500 241) | 3 255 051 | 3 255 051 | 108 % | 114 % | 512 036 | - | (512 036) | 40 889 194 | | | | | | | | | | | | | | |
| 4 269 962 | (77 457) | 4 192 505 | - | - | - | 4 192 505 | 4 097 518 | (94 987) | (94 987) | (94 987) | 98 % | 96 % | 40 024 | - | (40 024) | 3 591 651 | | | | | | | | | | | | | | |
| 1 828 359 | 75 317 | 1 903 676 | - | - | - | 1 903 676 | 2 466 388 | (562 713) | 562 712 | 562 712 | 130 % | 135 % | (2 222 980) | - | 2 222 980 | 69 027 | | | | | | | | | | | | | | |
| 14 793 374 | 53 222 | 14 838 596 | - | - | - | 14 838 596 | 10 057 545 | (4 779 051) | (4 779 051) | (4 779 051) | 68 % | 68 % | - | - | - | 12 419 805 | | | | | | | | | | | | | | |
| 99 976 304 | (748 326) | 99 227 978 | - | - | - | 99 227 978 | 104 684 233 | (5 488 377) | 5 456 255 | 5 456 255 | 105 % | 105 % | 12 929 385 | - | (12 929 385) | 123 525 737 | | | | | | | | | | | | | | |
| 37 743 086 | (1 636 401) | 36 106 685 | - | - | - | 36 106 685 | 25 091 718 | 10 982 845 | (11 014 967) | (11 014 967) | 69 % | 66 % | 14 747 676 | - | (14 747 676) | 23 998 114 | | | | | | | | | | | | | | |
| 50 639 812 | 937 019 | 51 576 831 | - | - | - | 51 576 831 | 70 019 857 | (18 443 026) | 18 443 026 | 18 443 026 | 136 % | 136 % | (4 902 009) | - | 4 902 009 | 91 289 019 | | | | | | | | | | | | | | |
| 11 593 406 | (48 944) | 11 544 462 | - | - | - | 11 544 462 | 9 572 658 | 1 971 804 | (1 971 804) | (1 971 804) | 83 % | 83 % | 3 083 718 | - | (3 083 718) | 8 238 604 | | | | | | | | | | | | | | |
| 330 522 136 | (356 714) | 330 165 422 | - | - | - | 330 165 422 | 355 214 535 | (42 608 715) | 25 049 113 | 25 049 113 | 108 % | 107 % | (66 098 795) | - | 66 098 795 | 406 574 005 | | | | | | | | | | | | | | |
| 114 977 021 | 3 371 828 | 118 348 849 | - | - | - | 118 348 849 | 149 965 057 | (31 597 444) | 31 616 208 | 31 616 208 | 127 % | 130 % | (32 923 376) | - | 32 923 376 | 148 172 347 | | | | | | | | | | | | | | |
| 132 300 677 | (561 749) | 131 738 928 | - | - | - | 131 738 928 | 128 138 542 | 3 600 385 | (3 600 386) | (3 600 386) | 97 % | 97 % | (14 589 131) | - | 14 589 131 | 161 087 727 | | | | | | | | | | | | | | |
| 42 269 187 | (711 883) | 41 547 304 | - | - | - | 41 547 304 | 23 968 939 | - | (17 578 365) | (17 578 365) | 58 % | 57 % | (2 878 486) | - | 2 878 486 | 24 204 225 | | | | | | | | | | | | | | |
| 40 685 251 | (2 454 910) | 38 230 341 | - | - | - | 38 530 341 | 53 141 997 | (14 611 656) | 14 611 656 | 14 611 656 | 138 % | 130 % | (15 707 802) | - | 15 707 802 | 73 109 706 | | | | | | | | | | | | | | |
| 3 348 916 | 659 912 | 4 008 828 | - | - | - | 4 008 828 | 3 296 532 | (712 296) | (712 296) | (712 296) | 82 % | 98 % | - | - | - | 1 895 749 | | | | | | | | | | | | | | |
| 3 348 916 | 659 912 | 4 008 828 | - | - | - | 4 008 828 | 3 296 532 | (712 296) | (712 296) | (712 296) | 82 % | 98 % | - | - | - | 1 895 749 | | | | | | | | | | | | | | |
| 823 193 665 | (8 032 000) | 815 161 665 | - | - | - | 815 161 665 | 824 878 066 | (55 659 334) | 9 716 401 | 9 716 401 | 101 % | 100 % | (90 847 009) | - | 90 847 009 | 870 451 043 | | | | | | | | | | | | | | |
| Total Expenditure - Functional | | | | | | | | | | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 238 974 601 | 15 042 877 | 254 017 478 | - | - | - | 254 017 478 | 274 643 781 | - | 20 626 303 | 20 626 303 | 108 % | 115 % | - | - | - | 261 391 099 | | | | | | | | | | | | | | |
| Surplus/(Deficit) for the year | | | | | | | | | | | | | | | - | - | - | - | - | - | - | - | - | - | - | - | | | | |

Nkomazi Local Municipality

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2018

| 2018/2017 | | | | | | | | | | 2017/2016 | | | | | | | | | | | | | | | | | | | |
|--|--|--------------|-----------------------------|---------------|---------------------------------------|------|--|------|--------------|---------------|-------------------|---------------|-----------------------------|------|--|------|--|---------|---|---------|---|------|---|------|----------------------------|------|--------------------------------|---------------|--|
| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | | Final adjustments budget | | Shifting of funds (i.t.o. MFMA) | | Virement (i.t.o. Council approved policy) | | Final Budget | | Actual Outcome | | Unauthorised expenditure | | Variance of Actual Outcome against Adjustments Budget | | Actual Outcome as % of Final Budget | | Actual Outcome as % of Original Budget | | Reported unauthorised expenditure | | Expenditure authorised in terms of section 32 of MFMA | | Balance to be recovered | | Restated Audited Outcome | | |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | |
| Revenue by Vote | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 7 174 000 | - | - | 7 174 000 | - | - | - | - | - | 7 174 000 | 393 872 358 | 7 174 000 | - | - | 90 885 401 | - | 100 % | 100 % | 100 % | 100 % | - | - | - | - | - | - | - | 5 917 000 | |
| Vote 2 - Budget & Treasury Office | 325 217 456 | (22 240 499) | 302 976 957 | 302 976 957 | - | - | - | - | - | 302 976 957 | 7 681 234 | 393 872 358 | - | - | (5 088 821) | - | 130 % | 121 % | 59 % | 59 % | - | - | - | - | - | - | - | 303 617 184 | |
| Vote 3 - Corporate Services | 12 933 996 | (165 941) | 12 768 055 | 12 768 055 | - | - | - | - | - | 12 768 055 | 827 543 | 7 681 234 | - | - | (856 132) | - | 49 % | 28 % | 28 % | 28 % | - | - | - | - | - | - | - | 12 671 446 | |
| Vote 4 - Planning & Development | 2 852 347 | (1 258 672) | 1 593 675 | 1 593 675 | - | - | - | - | - | 1 593 675 | 95 035 068 | 827 543 | - | - | (15 788 695) | - | 86 % | 96 % | 96 % | 96 % | - | - | - | - | - | - | - | 105 867 671 | |
| Vote 5 - Community & Social Services | 95 777 690 | 15 046 073 | 110 823 763 | 110 823 763 | - | - | - | - | - | 110 823 763 | 594 931 644 | 95 035 068 | - | - | (38 811 050) | - | 94 % | 99 % | 99 % | 99 % | - | - | - | - | - | - | - | 702 999 048 | |
| Vote 6 - Infrastructure & Development | 618 112 777 | 15 529 917 | 633 742 694 | 633 742 694 | - | - | - | - | - | 633 742 694 | 1 099 521 847 | 594 931 644 | - | - | 30 342 703 | - | 103 % | 104 % | 104 % | 104 % | - | - | - | - | - | - | - | 2 263 684 279 | |
| Total Revenue by Vote | 1 062 168 266 | 7 010 878 | 1 069 179 144 | 1 069 179 144 | - | - | - | - | - | 1 069 179 144 | 1 099 521 847 | 1 099 521 847 | - | - | 30 342 703 | - | 103 % | 104 % | 104 % | 104 % | - | - | - | - | - | - | - | 2 263 684 279 | |
| Expenditure by Vote to be appropriated | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 64 763 696 | (1 875 559) | 62 888 137 | 62 888 137 | - | - | - | - | - | 62 888 137 | 65 237 959 | 173 980 874 | - | - | 2 349 822 | - | 104 % | 101 % | 82 % | 82 % | - | - | - | - | - | - | - | 47 960 959 | |
| Vote 2 - Budget & Treasury Office | 211 256 534 | (14 468 272) | 196 788 262 | 196 788 262 | - | - | - | - | - | 196 788 262 | 173 980 874 | 60 966 067 | - | - | (22 807 388) | - | 88 % | 88 % | 115 % | 115 % | - | - | - | - | - | - | - | 170 877 425 | |
| Vote 3 - Corporate Services | 53 116 798 | 6 412 099 | 59 528 897 | 59 528 897 | - | - | - | - | - | 59 528 897 | 20 004 597 | 60 966 067 | - | - | 1 437 170 | - | 102 % | 102 % | 63 % | 63 % | - | - | - | - | - | - | - | 62 647 481 | |
| Vote 4 - Planning & Development | 31 776 334 | (975 489) | 30 799 845 | 30 799 845 | - | - | - | - | - | 30 799 845 | 160 121 477 | 20 004 597 | - | - | (10 795 248) | - | 65 % | 65 % | 63 % | 63 % | - | - | - | - | - | - | - | 18 043 394 | |
| Vote 5 - Community & Social Services | 150 250 845 | 788 118 | 151 038 963 | 151 038 963 | - | - | - | - | - | 151 038 963 | 344 580 452 | 160 121 477 | - | - | 9 082 514 | - | 106 % | 107 % | 107 % | 107 % | - | - | - | - | - | - | - | 173 049 296 | |
| Vote 6 - Infrastructure & Development | 312 029 459 | 2 088 103 | 314 117 562 | 314 117 562 | - | - | - | - | - | 314 117 562 | 32 124 | 344 580 452 | - | - | 30 462 890 | - | 110 % | 110 % | 110 % | 110 % | - | - | - | - | - | - | - | 397 872 488 | |
| Example 7 - Vote 7 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | 55 091 656 | |
| Example 8 - Vote 8 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 9 - Vote 9 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 10 - Vote 10 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 11 - Vote 11 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 12 - Vote 12 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 13 - Vote 13 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 14 - Vote 14 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Example 15 - Vote 15 | - | - | - | - | - | - | - | - | - | - | 32 124 | 32 124 | - | - | 32 124 | - | DIV/0 % | DIV/0 % | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | |
| Total Expenditure by Vote | 823 193 666 | (8 032 000) | 815 161 666 | 815 161 666 | - | - | - | - | - | 815 161 666 | 825 212 666 | 825 212 666 | - | - | 10 051 000 | - | 101 % | 100 % | 115 % | 115 % | (112 844 087) | - | - | - | - | - | - | 1 738 398 679 | |
| Surplus/(Deficit) for the year | 238 974 600 | 15 042 878 | 254 017 478 | 254 017 478 | - | - | - | - | - | 254 017 478 | 274 309 181 | 274 309 181 | - | - | 20 291 703 | - | 108 % | 115 % | 115 % | 115 % | - | - | - | - | - | - | - | 525 285 600 | |

Nkomazi Local Municipality

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2018

2018/2017

2017/2016

| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | | Final adjustments budget | | Shifting of funds (i.t.o. s31 of the MFMA) | | Virement (i.t.o. Council approved policy) | | Final Budget | | Actual Outcome | | Unauthorised expenditure | | Variance of Actual Outcome against Adjustments Budget | | Actual Outcome as % of Final Budget | | Actual Outcome as % unauthorised expenditure | | Expenditure authorised in terms of section 32 of MFMA | | Balance to be recovered | | Restated Audited Outcome |
|---|---|--------------|--------------------------|------|--|------|---|------|--------------|-------------|----------------|--------------|--------------------------|---------|---|------|-------------------------------------|------|--|------|---|------|-------------------------|-------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | | |
| Revenue By Source | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property rates | 132 765 299 | (24 864 150) | 107 901 149 | - | - | - | - | - | 107 901 149 | 105 503 008 | - | (2 398 141) | 98 % | 79 % | - | - | - | - | - | - | - | - | - | 105 560 426 | |
| Service charges - electricity revenue | 76 453 861 | 301 300 | 76 755 161 | - | - | - | - | - | 76 755 161 | 96 277 093 | - | 19 521 932 | 125 % | 126 % | - | - | - | - | - | - | - | - | - | 89 927 916 | |
| Service charges - water revenue | 20 637 692 | 614 994 | 21 252 686 | - | - | - | - | - | 21 252 686 | 20 192 665 | - | (1 060 021) | 95 % | 98 % | - | - | - | - | - | - | - | - | - | 20 140 796 | |
| Service charges - sanitation revenue | 5 018 171 | 31 753 | 5 049 924 | - | - | - | - | - | 5 049 924 | 5 097 064 | - | 47 140 | 101 % | 102 % | - | - | - | - | - | - | - | - | - | 4 551 484 | |
| Service charges - refuse revenue | 7 240 430 | (102 991) | 7 137 439 | - | - | - | - | - | 7 137 439 | 7 278 617 | - | 141 178 | 102 % | 101 % | - | - | - | - | - | - | - | - | - | 6 696 977 | |
| Service charges - other | - | - | - | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | - | - | |
| Rental of facilities and equipment | 2 555 928 | 416 558 | 2 972 386 | - | - | - | - | - | 2 972 386 | 3 040 465 | - | 68 079 | 102 % | 119 % | - | - | - | - | - | - | - | - | - | 3 646 374 | |
| Interest earned - external investments | 4 616 196 | 302 201 | 4 918 397 | - | - | - | - | - | 4 918 397 | 19 851 644 | - | 14 933 247 | 404 % | 430 % | - | - | - | - | - | - | - | - | - | 10 855 075 | |
| Interest earned - outstanding debtors | 1 279 628 | 3 169 316 | 4 448 944 | - | - | - | - | - | 4 448 944 | 11 391 005 | - | 6 942 061 | 256 % | 890 % | - | - | - | - | - | - | - | - | - | 11 428 648 | |
| Dividends received | - | - | - | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | - | - | |
| Fines, penalties and forfeits | 6 368 084 | 19 613 050 | 25 981 134 | - | - | - | - | - | 25 981 134 | 5 411 835 | - | (20 569 299) | 21 % | 85 % | - | - | - | - | - | - | - | - | - | 23 328 917 | |
| Licences and permits | 25 752 | (7 070) | 18 682 | - | - | - | - | - | 18 682 | 36 103 | - | 17 421 | 193 % | 140 % | - | - | - | - | - | - | - | - | - | 13 794 | |
| Agency services | 14 919 444 | (4 374 358) | 10 545 086 | - | - | - | - | - | 10 545 086 | 12 587 776 | - | 2 042 690 | 119 % | 84 % | - | - | - | - | - | - | - | - | - | 13 514 315 | |
| Transfers recognised - operational | 549 404 876 | (39 000 000) | 510 404 876 | - | - | - | - | - | 510 404 876 | 500 751 774 | - | (9 653 102) | 98 % | 97 % | - | - | - | - | - | - | - | - | - | 464 191 082 | |
| Other revenue | 9 912 571 | (2 408 564) | 7 504 007 | - | - | - | - | - | 7 504 007 | 6 088 228 | - | (1 435 779) | 81 % | 61 % | - | - | - | - | - | - | - | - | - | 14 159 719 | |
| Gains on disposal of PPE | 9 060 038 | 2 148 329 | 11 208 367 | - | - | - | - | - | 11 208 367 | - | - | (11 208 367) | - | - | - | - | - | - | - | - | - | - | - | - | |
| Public contributions and donations | - | - | - | - | - | - | - | - | - | 69 475 264 | - | 69 475 264 | DIV/0 % | DIV/0 % | - | - | - | - | - | - | - | - | - | - | |
| Total Revenue (excluding capital transfers and contributions) | 840 257 870 | (44 159 632) | 796 098 238 | - | - | - | - | - | 796 098 238 | 862 962 541 | - | 66 864 303 | 108 % | 103 % | - | - | - | - | - | - | - | - | - | 768 014 523 | |

for the year ended 30 June 2018

2017/2016

Page 86

Nkomazi Local Municipality Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2018

2018/2017

2017/2016

| | Original Budget | | Budget Adjustments (i.e. s28 and s31 of the MFMA) | | Final adjustments budget | | Shifting of funds (i.e. s31 of the MFMA) | | Virement (i.e. Council approved policy) | | Final Budget | | Actual Outcome | | Unauthorised expenditure | | Variance of Actual Outcome against Budget Adjustments | | Actual Outcome as % of Final Budget | | Actual Outcome as % of Original Budget | | Reported unauthorised expenditure | | Expenditure authorised in terms of section 32 of MFMA | | Balance to be recovered | | Restated Audited Outcome | |
|--|--------------------|--|---|--|--------------------------|--|--|--|---|--|--------------------|--|--------------------|--|--------------------------|--|---|--|-------------------------------------|--|--|--|-----------------------------------|--|---|--|-------------------------|--|--------------------------|--|
| | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | | Rand | |
| Capital expenditure - Vote Multi-year expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vote 5 - Community & Social Services | 24 927 996 | | 4 654 000 | | 29 581 996 | | - | | - | | 29 581 996 | | 13 259 479 | | 16 322 457 | | (16 322 457) | | 45 % | | 53 % | | 3 537 240 | | - | | (3 537 240) | | 95 275 126 | |
| Vote 6 - Infrastructure & Development | 173 167 402 | | 16 756 961 | | 189 924 363 | | - | | - | | 189 924 363 | | 107 558 765 | | 82 365 598 | | (82 365 598) | | 57 % | | 52 % | | (117 201 865) | | - | | 117 201 865 | | 185 763 052 | |
| Capital multi-year expenditure sub-total | 198 095 338 | | 21 410 961 | | 219 506 299 | | - | | - | | 219 506 299 | | 120 818 244 | | 98 688 055 | | (98 688 055) | | 55 % | | 61 % | | (113 631 491) | | - | | 113 631 491 | | 211 038 178 | |
| Single-year expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 443 345 | | 433 000 | | 876 345 | | - | | - | | 876 345 | | 175 297 | | 701 048 | | (701 048) | | 20 % | | 40 % | | 820 235 | | - | | (820 235) | | 1 760 483 | |
| Vote 2 - Budget & Treasury Office | 3 553 000 | | - | | 3 553 000 | | - | | - | | 3 553 000 | | 246 876 | | 3 306 124 | | (3 306 124) | | 7 % | | 7 % | | 7 089 778 | | - | | (7 089 778) | | 7 332 911 | |
| Vote 3 - Corporate Services | 107 105 | | 500 000 | | 607 105 | | - | | - | | 607 105 | | 711 650 | | (104 545) | | 104 545 | | 117 % | | 664 % | | (1 387 265) | | - | | 1 387 265 | | 2 018 735 | |
| Vote 4 - Planning & Development | - | | 762 000 | | 762 000 | | - | | - | | 762 000 | | 417 443 | | 344 557 | | (344 557) | | 55 % | | DIV/0 % | | (3 701 468) | | - | | 3 701 468 | | 963 532 | |
| Vote 5 - Community & Social Services | 31 327 448 | | 15 880 860 | | 47 208 308 | | - | | - | | 47 208 308 | | 12 145 633 | | 35 062 675 | | (35 062 675) | | 26 % | | 39 % | | (4 158 914) | | - | | 4 158 914 | | 5 552 840 | |
| Vote 6 - Infrastructure & Development | 25 847 647 | | (16 635 981) | | 9 211 666 | | - | | - | | 9 011 666 | | 34 909 119 | | (25 887 452) | | 25 887 453 | | 387 % | | 136 % | | (6 848 575) | | - | | 6 848 575 | | 26 047 669 | |
| Capital single-year expenditure sub-total | 61 078 545 | | 939 879 | | 62 018 424 | | - | | - | | 62 018 424 | | 48 606 218 | | 13 412 208 | | (13 412 206) | | 78 % | | 80 % | | (8 186 209) | | - | | 8 186 209 | | 211 038 178 | |
| Total Capital Expenditure - Vote | 259 173 883 | | 22 350 840 | | 281 524 723 | | - | | - | | 281 524 723 | | 169 424 462 | | 112 100 263 | | (112 100 261) | | 60 % | | 65 % | | (121 817 700) | | - | | 121 817 700 | | 422 076 356 | |

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2018

| | 2018/2017 | | | | | | 2017/2016 | | | | | | | |
|--|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| | | | | | | | | | | | | | | |
| Capital Expenditure - Functional | | | | | | | | | | | | | | |
| Governance and administration | | | | | | | | | | | | | | |
| Executive and council | 4 103 450 | 940 000 | 5 043 450 | - | - | 5 043 450 | 1 133 823 | 3 909 627 | (3 909 627) | 22 % | 28 % | (6 555 881) | - | 11 112 129 |
| Finance and administration | 443 345 | 433 000 | 876 345 | - | - | 876 345 | 175 297 | 701 048 | (701 048) | 20 % | 40 % | (820 235) | - | 1 760 483 |
| Corporate services | 3 553 000 | - | 3 553 000 | - | - | 3 553 000 | 246 876 | 3 306 124 | (3 306 124) | 7 % | 7 % | (7 122 911) | - | 7 332 911 |
| Community and public safety | 107 105 | 507 000 | 614 105 | - | - | 614 105 | 711 650 | (97 545) | 97 545 | 116 % | 664 % | 1 387 265 | - | 2 018 735 |
| Community and social services | 29 127 936 | 30 513 586 | 59 641 522 | - | - | 59 641 522 | 20 888 955 | 38 752 567 | (38 752 567) | 35 % | 72 % | 854 208 | - | 29 881 900 |
| Community and social services | 20 038 272 | 21 111 879 | 41 150 151 | - | - | 41 150 151 | 7 116 227 | 34 033 924 | (34 033 924) | 17 % | 36 % | - | - | 26 845 386 |
| Sport and recreation | 9 089 664 | - | 9 089 664 | - | - | 9 089 664 | 13 698 788 | (4 609 104) | 4 609 104 | 151 % | 151 % | 854 208 | - | 3 236 514 |
| Public safety | - | 115 000 | 115 000 | - | - | 115 000 | 73 960 | 41 040 | (41 040) | 64 % | DIV/0 % | - | - | - |
| Health | - | 9 286 707 | 9 286 707 | - | - | 9 286 707 | - | (9 286 707) | 9 286 707 | 66 % | DIV/0 % | - | - | - |
| Economic and environmental services | 47 344 492 | (237 129) | 47 107 363 | - | - | 47 107 363 | 31 212 822 | 15 894 541 | (15 894 541) | 66 % | 66 % | 36 997 116 | - | 60 110 805 |
| Planning and development | - | 682 000 | 682 000 | - | - | 682 000 | 353 088 | 328 912 | (328 912) | 52 % | DIV/0 % | 7 311 504 | - | 1 114 172 |
| Road transport | 46 344 492 | (919 129) | 45 425 363 | - | - | 45 425 363 | 29 497 065 | 15 928 298 | (15 928 298) | 65 % | 64 % | 28 882 923 | - | 58 185 547 |
| Environmental protection | 1 000 000 | - | 1 000 000 | - | - | 1 000 000 | 1 362 669 | (362 669) | 362 669 | 136 % | 136 % | 802 689 | - | 811 086 |
| Trading services | 178 598 095 | (8 865 617) | 169 732 388 | - | - | 169 732 388 | 116 188 862 | 53 543 525 | (53 543 525) | 68 % | 65 % | 90 522 259 | - | 153 609 514 |
| Energy sources | 4 400 000 | - | 4 400 000 | - | - | 4 400 000 | 3 565 494 | 834 506 | (834 506) | 81 % | 81 % | 9 619 030 | - | 13 419 604 |
| Water management | 161 920 557 | (9 485 617) | 142 434 940 | - | - | 142 434 940 | 112 450 146 | 30 004 793 | (30 004 793) | 79 % | 74 % | 82 231 722 | - | 139 481 592 |
| Waste management | 23 277 448 | 600 000 | 22 877 448 | - | - | 22 877 448 | 173 222 | 22 704 226 | (22 704 226) | 1 % | 1 % | 3 053 839 | - | 134 960 |
| Total Capital Expenditure - Functional | 259 173 883 | 22 350 840 | 281 524 723 | - | - | 281 524 723 | 169 424 462 | 112 100 260 | (112 100 261) | 60 % | 65 % | 121 817 702 | - | 254 714 348 |
| Funded by: | | | | | | | | | | | | | | |
| National Government | 230 970 434 | 13 227 000 | 244 197 434 | - | - | 244 197 434 | 149 567 854 | (94 629 580) | (94 629 580) | 61 % | 65 % | - | - | 229 605 221 |
| Transfers recognised - capital | 230 970 434 | 13 227 000 | 244 197 434 | - | - | 244 197 434 | 149 567 854 | (94 629 580) | (94 629 580) | 61 % | 65 % | - | - | 229 605 221 |
| Internally generated funds | 28 203 450 | 9 123 840 | 37 327 290 | - | - | 37 327 290 | 19 856 608 | (17 470 682) | (17 470 682) | 53 % | 70 % | - | - | 24 909 127 |
| Total Capital Funding | 259 173 884 | 22 350 840 | 281 524 724 | - | - | 281 524 724 | 169 424 462 | (112 100 262) | (112 100 262) | 60 % | 65 % | - | - | 254 714 348 |

Nkomazi Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2018

| 2018/2017 | | | | | | | | | | 2017 | |
|---|---|--------------------------|---------------|----------------|---|-------------------------------------|--|--------------------------|------|------|--|
| Original Budget | Budget Adjustments (i.e. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome | | | |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | |
| Cash flow from operating activities | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Ratepayers and other | | | | | | | | | | | |
| Government - operating | 7 424 435 | 237 761 517 | 237 761 517 | 371 524 203 | 133 762 686 | 156 % | 161 % | 313 342 650 | | | |
| Government - capital | (39 000 000) | 510 404 876 | 510 404 876 | 500 751 774 | (9 653 102) | 98 % | 91 % | 464 191 082 | | | |
| Interest | 53 318 840 | 284 289 274 | 284 289 274 | 236 559 304 | (47 729 970) | 83 % | 102 % | 363 827 617 | | | |
| Payments | 3 387 007 | 8 336 932 | 8 336 932 | 19 851 644 | 11 514 712 | 236 % | 401 % | 10 855 075 | | | |
| Suppliers and employees | (737 562 040) | (710 793 688) | (710 793 688) | (867 616 054) | (156 822 376) | 122 % | 118 % | (838 451 500) | | | |
| Finance charges | (683 534) | (200 000) | (883 534) | (2 049 834) | (1 166 300) | 232 % | 300 % | (7 005 377) | | | |
| Transfers and Grants | - | - | - | - | - | DIV/0 % | DIV/0 % | (16 817 514) | | | |
| Net cash flow from/used operating activities | 277 416 743 | 51 698 634 | 329 115 377 | 259 021 027 | (70 094 350) | 79 % | 93 % | 289 942 033 | | | |
| Cash flow from investing activities | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Decrease (Increase) in non-current debtors | - | - | - | - | - | DIV/0 % | DIV/0 % | 17 054 756 | | | |
| Decrease (Increase) other non-current receivables | - | - | - | - | - | DIV/0 % | DIV/0 % | (1 948 039) | | | |
| Payments | (259 173 884) | (22 350 839) | (281 524 723) | (169 424 463) | 112 100 260 | 60 % | 65 % | (252 766 309) | | | |
| Capital assets | - | - | - | - | - | DIV/0 % | DIV/0 % | (1 948 039) | | | |
| Deposits made | - | - | - | - | - | DIV/0 % | DIV/0 % | - | | | |
| Net cash flow from/used investing activities | (259 173 884) | (22 350 839) | (281 524 723) | (169 424 463) | 112 100 260 | 60 % | 65 % | (239 607 631) | | | |
| Cash flow from financing activities | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Borrowing long term/refinancing | - | - | - | - | - | DIV/0 % | DIV/0 % | 5 860 310 | | | |
| Payments | (618 806) | (6 194 348) | (6 813 154) | (3 670 512) | 3 142 642 | 54 % | 593 % | (806 062) | | | |
| Repayment of borrowing | - | - | - | - | - | DIV/0 % | DIV/0 % | - | | | |
| Net cash flow from/used financing activities | (618 806) | (6 194 348) | (6 813 154) | (3 670 512) | 3 142 642 | 54 % | 593 % | 5 254 248 | | | |
| Net increase/(decrease) in cash held | | | | | | | | | | | |
| Cash/cash equivalents at the year begin: | 17 624 053 | 23 153 447 | 40 777 500 | 85 926 052 | 45 148 552 | 211 % | 488 % | 55 588 650 | | | |
| Cash/cash equivalents at the year end: | 17 624 053 | 23 153 447 | 40 777 500 | 206 594 312 | 45 148 552 | 507 % | 1 172 % | 65 079 611 | | | |